Doing Business in South Africa:

2009 Country Commercial Guide for U.S. Companies

Return to table of contents

Chapter 1: Doing Business in South Africa

Market Overview Return to top

Welcome to the South Africa Country Commercial Guide (CCG). This guide presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis.

South Africa is a country of 48.7 million people that is rich in diverse cultures, people and natural heritage. Enjoying remarkable macroeconomic stability and a pro-business environment, South Africa is a logical and attractive choice for U.S. companies to enter the African continent. It is the most advanced, broad-based and productive economy in Africa, and had a gross domestic product (GDP) of $283.5 billion and a real growth rate of 5.1 percent in 2007.

The South African economy is characterized by standards similar to those found in developed countries. Its service sector is well established and growing, and the economy is increasingly well managed with slow but steady industrial productivity gains. It has a well-developed physical infrastructure that is comparable to OECD standards. South Africa boasts a sophisticated financial sector with well-developed financial institutions and a stock exchange in Johannesburg (JSE) that ranks among the top exchanges in the world.

South Africa is a vast country covering 1.22 million square kilometers and it is the world's largest producer of platinum, vanadium, chromium and manganese. Recently, South Africa has seen rapid increases in both inbound and outbound Foreign Direct Investment (FDI).

Other quick facts regarding South Africa's economy and its foreign trade:

- The United States was the third largest source of South African imports in 2007 at 9.4 percent, after Germany (17.1 percent) and China (10.2 percent) and ahead of Japan (8.5 percent) Saudi Arabia (6.6 percent), United Kingdom (6.6 percent), and France (5.2 percent).
- U.S. exports rose 23 percent in 2007, and by 18 percent in 2008. (Source: U.S. Census Bureau)
- The United States is the second largest portfolio investor in South Africa and the second largest source of foreign direct investment (FDI) in South Africa, after the U.K. (Total U.S. FDI is $6.6 billion with total portfolio investment in South Africa at the end of 2007 amounting to $ 51.6 billion).

- The mature nature of the South African economy is reflected in the mix of economic sectors:
    - primary (including agriculture, fishing and mining): 8 percent,
    - secondary: 22 percent; and
    - services: 70 percent.
- The national retail consumption patterns reflect the disparate nature of the economic status of its citizens, ranging from basic needs (e.g., condensed milk) to high-end durable consumer goods (e.g., SUVs).

Over the past five years, South Africa has further integrated into the global trading system by negotiating free trade agreements with the European Union, its neighbors in the Southern African Development Community (SADC), the European Free Trade Association and Mercosur. The Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland, first established in 1910, has also been renegotiated and ratified by all members.

The passage of the African Growth and Opportunity Act (AGOA) has provided duty-free access to the U.S. market for all African countries and resulted in an increase in bilateral trade between the United States and South Africa. The United States and SACU concluded a Trade, Investment and Development Cooperation Agreement (TIDCA) in July 2008. The U.S. and SACU will use TIDCA as a forum to conclude a range of agreements on various trade facilitation issues and other areas of cooperation.

South African GDP grew 5.3 percent in 2006 and 5.1 percent in 2007. South Africa's GDP growth has slowed to 3.1 percent in 2008 due to the global financial crisis, and is expected to moderate further to about 1.2 percent in 2009. Inflation has risen above the South African Reserve Bank's managed target range of three to six percent and peaked at 13.6 percent in August 2008. High interest rates have weakened business and consumer confidence. At the same time, structural reforms in general have increased the economy's diversification and openness, bolstering its resilience to external shocks. The banking sector has managed to avoid any serious disruptions, due to its limited exposure to the U.S. and other foreign markets.

Fourteen years after the watershed 1994 democratic elections, South Africa continues to maintain a stable political environment. The Presidency changed hands with the resignation of Thabo Mbeki in December 2008, succeeded by Kgalema Motlanthe. The Government has generally pursued market-oriented economic policies and has steadily progressed in restructuring state assets and introducing competition for state-owned enterprises (SOE's). Nonetheless, upcoming elections in April 2009 could prompt a change in current government policies.

Market Challenges Return to top

U.S. firms entering this market must contend with a typically mature and competitive market with well-established, mainly European competition. A trade agreement with the European Union enables many European products to enter South Africa duty-free and at lower rates than U.S. products. Broad-Based Black Economic Empowerment (BEE) policies on redressing economic imbalances among historically disadvantaged communities require consideration by all firms planning to do business with the South African government – and increasingly, within the general business community as well.

Although unemployment remains high, skilled labor may be difficult to find in certain sectors due to emigration. In addition, HIV/AIDS affects one in five South Africans and is also a factor both in terms of labor availability, productivity, and medical costs. U.S. firms should be aware that crime against business is a concern and should be addressed in market planning. High telecommunications and security expenses add to the cost of doing business in South Africa, although the imminent Seacom cable should reduce the former and introduce broadband service on a mass scale in 2009. Power shortages will restrict opportunities for energy-intensive industries, until additional power plants come on-line in 2012/2013.

Market Opportunities

Return to top

Opportunities for U.S. exporters and investors in South Africa reflect the growth of its consumer base and its efforts to upgrade and develop its infrastructure to match and further fuel its economic growth.

Factors benefiting U.S. exporters include:

- A sophisticated banking sector;
- Infrastructure improvements;
- South Africa serves as a gateway to other countries in Southern Africa;
- U.S- branded goods continue to gain market share;
- South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans for over $50 billion over the next five years; and
- The awarding to South Africa of the 2010 FIFA World Cup Soccer championship has resulted in over $2 billion in improvements and investment in sporting facilities and other infrastructure.

In general, the best prospects for exports are in capital goods, though opportunity exists in a wide range of consumer products and services as well. Of particular note are:

- Electrical Power Systems;
- Telecommunication Services;
- Aviation;
- Automotive Components;
- Transportation, Infrastructure and Civil Construction;
- Franchising;
- Alternative Energy;
- Safety/Security Equipment;
- Pollution Control Equipment;
- Mining Equipment;
- Telecommunications Equipment; and
- Information Technology.

Market Entry Strategy

Return to top

Because the South African market is sophisticated, entry should be well planned and should take into consideration the following factors:

- The skewed demographic income distribution pattern, where ten percent of the population earns 45 percent of national income;
- The price-sensitive nature of the majority of consumer demand;
- Distribution issues given that the large retail centers are spread over only five metropolitan regions;
- A judicious selection of one of three low-risk entry strategies: representation, agency or distributorship (Note: if you are selling to the government or government-funded organizations, any local partner should be BEE-compliant);
- The entrenched bias of a conservative market that sticks to known suppliers and therefore requires sustained market development; and
- South Africa's position as the pre-eminent stepping-stone for developing most sectors in sub-Saharan Africa: the marketing mix should anticipate this medium-term option.

In addition to this Country Commercial Guide, the Commercial Service offices in Cape Town and Johannesburg offer many services designed to assist you in developing your market entry strategy and to facilitate your export experience in South Africa. For a detailed description of these services please visit:

http://www.buyusa.gov/southafrica/en/servicestouscompanies.html

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2898.htm

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

One of the first steps that an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Commercial Service in South Africa and register for one of the services specifically designed to meet the needs of U.S. client companies. South Africa offers foreign suppliers a wide variety of methods to distribute and sell their products, including using an agent (also known as a Commission Sales Representative, or CSR) or distributor. A link to details of these services is available at the end of this section.

In South Africa, the terms "Agent" and "Distributor" have a very specific meaning: “agents” work on a commission basis after obtaining orders from customers; distributors buy, carry stock and sell products directly to customers. Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials. They may be particularly appropriate when products are highly competitive and lack a large market. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements.

Local agents representing foreign exporters, manufacturers, shippers, or other principals who export goods to South Africa, are fully liable, under South African import control law, for all regulations and controls which are imposed on the foreign exporters. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

Typical commission rates for CSR's in South Africa depend upon the contract concluded and upon the representative's responsibility. These rates can range from 3 to 25 percent commission per concluded transaction. Companies sometimes pay a retainer fee plus costs plus an incentive scale on deals.

Distributors who buy for their own account and carry a wide range of spare parts often handle capital equipment and commodities such as chemicals, pharmaceuticals, and brand new products on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers. In some cases, the distributor is also the principal with sub-agents or as a major user of the products.

When appointing a South African distributor, U.S. exporters should take care to find out if the distributor handles a competing product. In some instances, major South African corporations whose holding companies market products competing directly with American products have approached some U.S. exporters.

In South Africa's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts, and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers.

The U.S. Commercial Service has found that the most successful ventures entered into by U.S. companies have been preceded by thorough market research. This is an important first step before engaging in a search for agents or distributors. Once contacts are established, U.S. companies should visit South Africa since first-hand knowledge of the market and society is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The Commercial Service (CS) in South Africa offers a number of business facilitation services, including market research, appointment-setting, and background checks on potential business partners. For a full list of the services offered, please visit:

http://www.buyusa.gov/southafrica/en/servicestouscompanies.html

For additional information, please e-mail the U.S. Commercial Service office at: Johannesburg.office.box@mail.doc.gov.

Establishing an Office Return to top

South Africa's efforts to make it easier for businesses to start up and pay tax have lifted its ranking from 35 to 32 on the 2008 World Bank's Doing Business Index.

South Africa’s improvement in the rankings was due largely to the amendments to the Companies Act that were implemented during the course of 2007, making it easier to register a new business.

The Index tracks how business-friendly the regulatory environment is, especially for small and medium-sized businesses. It is based on ten indicators covering the time and cost of starting and operating a business, trading across borders, paying taxes and closing a business. The removal of the regional services council (RSC) levies and the reduction in the rate of secondary tax on companies also contributed to the improved rating. In the same World Bank Index, South Africa is ranked second in the world on ease of getting credit. It also ranks well on protecting investors and paying taxes, but scored low for ease of employing workers and trading across borders.

Furthermore, the World Bank and PricewaterhouseCoopers in November 2008 gave South Africa a high rating of 23 (up from 61 in 2007) out of 181 economies in terms of ease of paying taxes.

The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The Act makes no distinction between locally-owned and foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company" with the Registrar of Companies. Any nonresident or foreign company must register within 21 days of establishing an office in South Africa. Government approval is not required for registration and there is no requirement that a percentage of share capital be held locally. The branch company must file annual financial statements with the Registrar within six months after the end of its fiscal year. Branch profits remitted to a foreign firm's headquarters are not subject to withholding tax. The legal liabilities of a branch are not limited to only its South African assets.

There are three forms of business enterprises in South Africa: Private Companies (Pty), Public Companies (Ltd), and Close Corporations (CC). South Africa has an estimated 1.6 million Close Corporations, 400,000 Private Companies, and 4000 Public Companies.

Each form has its own setup and reporting requirements as detailed below.

Private Companies:

A locally registered private company, identified by the words "Proprietary Limited" (Pty) in its title, is a form commonly used to carry on operations as a subsidiary of a foreign company. Private companies may have up to 50 shareholders, but cannot offer shares to the public or transfer them and are not required to have a minimum capital subscription. Private directors need not lodge a written consent with the Registrar and they need not be South African nationals or residents of South Africa. The registration of a company is established by filing the following information with the Registrar of Companies: a certified copy of the Memorandum and Articles of Association; the registered address; the name and address of the company's local auditor; and a share capital duty receipt. Private companies are not subject to the statutory meeting and reports requirements of public companies and do not have to lodge their annual financial statements with the Registrar.

Public Companies:

Public companies, designated by the word “Limited” or letters "Ltd" in the title, are formed to raise funds by offering shares to the public. Therefore, there is no limit on the number of shareholders in a public company. Public companies are required to file annual financial statements and reports with the Registrar of Companies.

For public companies that issue a prospectus, proof must be submitted to the Registrar that each director has paid full price for the shares and the number of shares issued equals the stated minimum subscription. For public companies with share capital, the following must be forwarded to the Registrar: a director's statement that capital is adequate for business operation; particulars of the directors and officers; and proof that the annual duty has been paid. A public company may not commence operations prior to receipt of the Registrar's certification.

Close Corporations:

Close corporations, designated by the letters "CC" after their names, are a form of business organization unique to South Africa. They can only be organized by natural citizens of South Africa and are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than companies. However, a recently revised Companies Bill forbids the new registrations of CC’s, and the Companies and International Property Registration Office (CIPRO) has established a new process whereby these companies would be required to file annual tax returns. As many of these companies are thought to be dormant, this procedure is intended to give CIPRO more up-to-date information on how many of these companies are still active.

For more information on company formation and registration contact:

Companies and International Property Registration Office (CIPRO)
Postal Address: PO Box 429, Pretoria, 0001
Physical Address: The DTI Campus, Block F, 77 Meintjies Street
Sunnyside, Pretoria
Tel: +27 (0)11 394 9500; Fax: +27 (0)11 394 9501
Email Address: contactcentre@cipro.gov.za
Website: http://www.cipro.co.za

Franchising Return to top

Recent years have seen a significant increase in the popularity of franchising in South

Africa, as it is perceived as an effective way to conduct and grow successful businesses across a range of services. Franchising also plays an important role in furthering the development of small and medium businesses. Job creation, poverty alleviation, economic growth and black empowerment rank high on the South African government's agenda. Franchising, with its advantages of skill transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address these areas. Business format franchising, in particular, is a proven concept offering potential opportunities for interested firms.

More information about this sector of the South African economy can be found in Chapter Four within the Franchising sub-section.

Additional information can be found at:

Franchise Association of Southern Africa (FASA)
Postnet 256, Private Bag X4
Bedfordview, 2008
Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679
Ms. Vera Velasis, Executive Director
Email: fasa@fasa.co.za
Website: http://www.fasa.co.za/

Direct Marketing Return to top

Direct marketing is expected to grow over the next ten years, as long as it includes a strong emphasis on clear-cut information campaigns, addressing consumer questions and introducing appropriate solutions all in one effective, customized, direct-marketing package.

Direct marketing channels in South Africa include:

- Direct e-mail selling, including Internet viral campaigns (where one email user nominates "friends" to participate in a promotional campaign and to his/her own benefit hands over the email addresses of friends and colleagues);
- Direct selling channel, such as an independent agent or distributor system; and
- Internet marketing, a sector which has also grown rapidly as more South African consumers are now feeling comfortable about handing over banking details and ordering from non-brick and-mortar companies.

Joint Ventures/Licensing Return to top

Joint ventures and licensing arrangements involving foreign entities attract the attention of the South African regulatory authorities when repatriation of funds (royalties, fees and profits) from South Africa to a foreign recipient is agreed to or possibly required in the future.

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application to the Department of Trade and Industry (DTI). The Department, in turn, will make a recommendation to the South African Reserve Bank (SARB). Government regulations stipulate that the SARB's Exchange Control Section must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB by the South African licensee.

The calculation of discretionary funds (royalties, fees etc.) that can be set by the parties to a Joint Venture or Licensing arrangements are subject to complex foreign exchange controls set by the SARB that have been made less onerous over recent years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole-source articles from the licensor are prohibited.

Binding information on the foreign exchange aspects of Joint Ventures and Licensing can be obtained from the SARB or an approved foreign exchange dealer. An exhaustive listing of currently enforced stipulations relating to controls can be found at the SARB s Exchange Control Manual:

http://www.reservebank.co.za/internet/publication.nsf/WCEV/8B1C8768741BF40C42256C44003331A6/?opendocument

Selling to the Government Return to top

Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (http://www.info.gov.za/documents/tenders/index.htm), and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent.

Central Government Procurement

South Africa has changed its government procurement to a "Supply Chain Management" process in order to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has now devolved to "accounting officers". Depending on their level of responsibility, the accounting officers are allowed to approve government purchases up to a certain amount.

The basic principles for government procurement in South Africa, in terms of socio-economic objectives, are set out in the Constitution: procurement by an organ of State or any other institution identified in national legislation must, on the one hand, be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective," and, on the other hand, allow for categories of preference and the protection or advancement of persons disadvantaged by unfair discrimination, within a framework national legislation. Other principles on which procurement must be based in South Africa are accountability and the just-in-time (JIT) delivery principle.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the ability of bidders to supply goods or render a service generally is examined. Foreign firms can bid through a local agent. The due date for a bid is usually at least twenty-one days from the publication of the notice. As a general practice, however, a lead-time of thirty to forty-five days is allowed. Bids for government tenders must be on a basis of all costs included to the specified delivery point. Bids on tenders are to be addressed as indicated in the tender document and must be lodged in a sealed envelope with the tender number, due date and name and address of the tender on the outside.

Black Economic Empowerment (BEE)

A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government qualify as BEE (Black Economic Empowered) partners. These criteria aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals (i.e., those whose racial/ethnic origin is described by the South African terms “Black”, ”Coloured,” and “Indian”) according to a varying mix of the following parameters:

- Black Ownership
- Black Management Control
- Employment Equity
- Percentage of Black Skilled Personnel
- Preferential Procurement from Black/BEE Suppliers
- Skills Development Initiatives
- Enterprise Development initiatives for Black Businesses

Note that in BEE legislation, the term “Black” is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), “Coloureds” (those of mixed European/African or European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent). White women have also been designated as BEE beneficiaries, and a 2008 Court decision expanded the BEE program to include South African Chinese.

In January 2004, then President Mbeki signed into law the Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy. The Act directed the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters, and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they are less competitive if they do not.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: http://www.dti.gov.za/bee/codes2005.htm

Public Private Partnerships (PPP)

Closely linked to BEE, the South African Government and its parastatals are giving close attention to Public Private Partnerships (PPP). This mode of outsourcing operational responsibility is an alternative to direct government procurement. While it allows a variety of leasing options, it can also include buying a service from a private entity. This mode of business implies less risk for government due to a significantly reduced capital investment requirement, and a predictable expenditure model (linked to the fee structure payable to the service provider) while at the same time allowing BEE entities to benefit from traditional government operations. The more complex PPP tender bidding process has also led, in some cases, to longer adjudication and awarding timelines.

The SA Department of Finance (Treasury) administers the government procurement process. For more information:

South African National Treasury
PPP Unit
Private Bag X115
Pretoria, 0001
Tel: +27 (0)12 315 5741
Website: http://www.treasury.gov.za

Offsets and Counter-Trade

South Africa has an Industrial Participation Program (IPP), which mandates a counter-trade/offset package for all state and parastatal purchases of goods, services, and lease contracts in excess of US$10 million. Under the program, all bidders on government and parastatal contracts who exceed the imported content threshold must also submit an Industrial Participation package worth 30 percent of the imported content value. The bidder then has seven years to discharge the Industrial Participation obligation. Non-performance of the contract is subject to a penalty of five percent of the outstanding Industrial Participation obligation. These IPP requirements are issued with the tender documentation of all government and parastatal tenders and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

Parastatals

Parastatals, local authorities, and major private buyers such as the mining houses must follow similar practices to the central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and also involve overseas bidding. With the establishment of nine provincial governments in South Africa, the prospects for additional government procurement below the central government level are significant, even though strict budgetary restraints are in place.

Distribution and Sales Channels Return to top

Approximately 90 percent of South Africa's economically active population is found in areas surrounding the cities of Johannesburg, Cape Town, Durban, Pretoria, and Port Elizabeth. These five cities represent the country's major areas of economic activity and consumer markets.

The distribution chain within a given industry varies, depending on the nature and type of equipment and/or products being imported. Consumer-oriented products, for example, are distributed by local subsidiaries or joint-venture partners to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more middlemen within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

In South Africa, each industry sector has only a handful of major distributors, with hundreds of small players. Major players prefer an exclusive agent/distributor agreement with the foreign firm. Most South Africa imports are handled through the country's largest airport in Johannesburg or through the country's three largest ports: Durban, Cape Town, and Port Elizabeth.

The major distribution point is Johannesburg, which has bonded inland port status for customs and excise purposes.

- Johannesburg

The city of Johannesburg is the commercial, financial and transportation hub of South Africa. It is the center for all aviation, rail and road infrastructure. It also has the continent's busiest international airport, which handles 17 million passengers and 300,000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg.

Johannesburg is one of the world's few major cities located on neither the ocean nor a major river. Yet, ironically, it hosts the largest and busiest "port" in Africa, an export-import freight container terminal called City Deep, which handles 30 percent of South Africa's exports.

- Durban

Durban is the busiest ocean port in Africa and has the largest and best-equipped container terminal in the southern hemisphere. Durban's location on the eastern coast of South Africa makes the terminal a pivotal hub for the entire Southern African region of the Indian and South Atlantic oceans, serving trade routes linking North and South America with the Middle East, India, Asia, and Australia. The terminal also serves as a crucial interface for the distribution of cargoes between ocean carriers and the markets of South Africa, Swaziland, Lesotho, Botswana, Zimbabwe, Zambia, and Zaire. On the landside, there is direct connection with surface transport via rail sidings and also speedy connection to South Africa's trunk road network. The facility handles in excess of 4,000 ships annually, with an estimated gross tonnage of 81,700,000. Containers processed at the port of Durban represent 64 percent of the total number of containers handled at South African ports.

- Cape Town

Cape Town, located at the southern-most point of Africa, is ideally positioned as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially, making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The terminal currently handles 3,161 vessels per year for a gross tonnage of 44,501,297.

- Port Elizabeth

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline, after Durban and Cape Town. Port Elizabeth serves the immediate area of the Eastern Cape where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers and logistics management, and currently handles 1,271 ships annually with a total gross tonnage of 25,756,823.

Selling Factors/Techniques

Return to top

Companies wishing to introduce new products into the South African market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "give-aways" are also very popular. An editorial and/or advertisement in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Direct sales to individuals on a personal one-on-one basis by freelance agents is fast becoming a multi-million dollar industry in South Africa. Examples of products sold in this way include costume jewelry; plastic containers; lingerie and personal products; and personal health and herbal type products.

Electronic Commerce

Return to top

Consumer acceptance of electronic commerce has increased. While acceptance of B2C interaction has grown, South Africans still primarily use websites for information gathering rather than purchasing. South Africa still faces prohibitive cost structures in terms of ADSL and wireless Internet connection. This factor alone has slowed the general migration to e-commerce. These costs are expected to decline following the arrival of the SEACOM cable in June 2009.

Cell phones are rapidly replacing wallets as banks, card operators, retailers, and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in Africa due to the rapid increase in the number of cell phone, limited access to the Internet, and poor fixed-line infrastructure. Proponents of M-Commerce claim it is more secure than Internet commerce, but public concerns persist regarding M-commerce's complexity and the ability to ensure privacy.

Trade Promotion and Advertising

Return to top

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services and the majority of the larger agencies are subsidiaries of prominent international agency groups. Major media outlets include television, radio, newspapers and magazines, outdoor advertisements, cinema, and the Internet. The deregulation of the airwaves has introduced more competition via a further independent television channel and independent radio stations.

The key figures in South Africa's advertising industry are the Association for Communication and Advertising (ACA) (www.acasa.co.za); the two major media bodies, the National Association of Broadcasters (NAB) (www.nab.org.za) and the Print Media Association (PMA) (www.printmedia.org.za); and the Advertising Standards Authority of South Africa (ASA).

Advertising agencies in South Africa are no longer solely remunerated by clients on a commission system. Fee arrangements are becoming increasingly common, and specialist media buying companies are taking a growing market share of media purchases in South Africa. Customarily, the various media offer 16.5 percent commission to recognized advertising agencies provided payment is made within the stipulated 45-day period.

Additional information can be obtained from the following association:

Advertising Standards Authority
Willowview, Burnside Island Office Park
410 Jan Smuts Avenue
Craighall Park, Johannesburg
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Mr. Fred Makgato
Email: freddy@asasa.org.za
Website: http://www.asasa.org.za

Names and addresses of major advertising agents, newspapers, magazines, market research companies, and public relations consultants, along with their current rates, can be found in the Advertising and Press Annual of South Africa available from:

The National Publishing Company (Pty) Ltd.
IHS South Africa
PO Box 8147
Johannesburg, 2000

Tel: +27 (0)11 835 2221; Fax: +27 (0)11 835 2631
Email: e-mail: viv.hosford@ihs.co.za
Website: http://www.ihs.co.za

Major English-language South African newspapers include:

Business Day (daily, except Sun)	www.businessday.co.za
The Star	www.star.co.za
The Citizen	www.citizen.co.za
The Sowetan	www.sowetan.co.za
The Times	www.thetimes.co.za
Mail-Guardian	www.mg.co.za
Sunday Independent	www.sundayindependent.co.za

Major English-language periodicals for business include:

Financial Mail	http://free.financialmail.co.za/
Engineering News	www.engineeringnews.co.za

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of the exhibitions and trade shows in South Africa and can be found at: http://www.exsa.co.za. You can also visit the Commercial Service South Africa's website at http://www.buyusa.gov/southafrica/ for links to upcoming trade events and business service providers.

Pricing Return to top

Prices are generally market-determined. The major exceptions are petroleum products, certain agricultural goods and prices administered by parastatals (government-owned firms) such as the South African Post Office and Telkom. Provisions of the Sales and Service Matters Act set marking requirements and stipulate that prices cannot be evaded through auction sales. The Act also requires that persons offering goods or services for resale keep and retain records for possible recall, indicating purchase costs, manufacturing costs, and selling prices. Changes in the fixed prices are published in the South African Government Gazette.

South Africa applies a 14 percent Value Added Tax (VAT) [as opposed to General Sales Tax (GST)] on all goods and services, except for some basic staple diet items. Exports are zero-rated, and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers the VAT:

SARS
Private Bag X923 or P.O. Box 402
Pretoria, 0001
Tel: +27 (0)12 422 4000; Fax: +27 (0)12 422 5181
Website: www.sars.gov.za

Sales Service/Customer Support

Return to top

In the South African consumer market, after-sales service is extremely important, especially for providing technical and spare part services to prospective clients. Many South African consumers will base purchasing decisions on reliable after-sales service for their purchases, especially for high-end luxury goods such as electronic equipment. A central distributor that stocks spare parts and provides maintenance and repair service is advisable for new-to-market companies As the South African market has opened up and become more competitive, South African consumers have become more and more concerned about quality and after-sales service. Foreign companies that bring strong customer support systems to this market will find themselves with a competitive edge.

Consumers may direct queries and complaints to the South African National Consumers Union (SANCU), http://www.sancu.co.za

---

Protecting Your Intellectual Property

Return to top

South Africa is a signatory of various international agreements and conventions relating to the protection of intellectual property, which includes patents, trademarks, designs and copyrights.   South Africa has an independent judiciary under which any threat to property rights may be enforced without political interference.

While South African intellectual property rights (IPR) laws and regulations are largely in keeping with Trade-Related Aspects of Intellectual Property (TRIPS), there are still concerns about widespread copyright piracy and trademark counterfeiting. The United States is working with the South African authorities to address these issues. The South African authorities are keen to enforce a higher compliance with IPR laws, with the South African Revenue Service (SARS) playing a prominent role in deterring imports of counterfeit goods.

The U.S. and South African governments have held extensive consultations to clarify a section of the South African Medicines Act, which appeared to grant the Minister of Health broad powers in regard to patents on pharmaceuticals. The U.S. and South African governments reached an understanding that any action taken by the South African Government will be compliant with TRIPS. A similar understanding was then reached between the pharmaceutical companies and the South African Government. However, there are still concerns with intellectual property in pharmaceutical circles. Current discussions are currently centered on data exclusivity as a means to protect intellectual property.

Additional information on South African rules and registration procedures for patents, trademarks, and copyrights can be obtained from:

Department of Trade and Industry
Companies and Intellectual Property Registration Office

Trademarks, Patents, Design and Copyright
Private Bag X84,
Pretoria, 0001
Tel: +27 (0)861 843 384; Fax: +27 (0)861 843 888
Mr. Joseph Makena
Email: JMakena@cipro.gov.za
Website: www.cipro.gov.za

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues, including enforcement issues in the US and other countries, call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-sized companies, the U.S. Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov.** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Department of Commerce has also positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers South Africa at: Johannesburg.office.box@mail.doc.gov

Due Diligence Return to top

Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals.

The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at www.buyusa.gov/southafrica or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

Local Professional Services

Return to top

For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at http://www.buyusa.gov/southafrica/en/ or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide).

U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces
PO Box 1493,
Pretoria, 0001
Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606
Website: http://www.northernlaw.co.za/

Web Resources

Return to top

Association for Communication and Advertising
Website: http://www.acasa.co.za/

Advertising Standards Authority of South Africa
Website: http://www.asasa.org.za

Companies and Intellectual Property Registration Office
Website: http://www.cipro.co.za

Department of Trade and Industry (DTI)
Website: http://www.dti.gov.za/

Exhibition Association of Southern Africa
Website: http://www.exsa.co.za

Franchising Association of South Africa
Website: http://www.fasa.co.za

Law Society of the Northern Provinces
Website: http://www.northernlaw.co.za/

National Association of Broadcasters
Website: http://www.nab.org.za/

National Publishing Company
Website: http://www.ihs.co.za

Print Media Association
Website: http://www.printmedia.org.za/

South African National Consumer Union
Website: http://www.sancu.co.za

South African National Treasury
Website: http://www.treasury.gov.za/

South African Revenue Service
Website: http://www.sars.gov.za/

U.S. Commercial Service South Africa
Website: http://buyusa.gov/southafrica/en

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Safety/Security Equipment
- Pollution Control Equipment
- Mining Equipment
- Information Technology

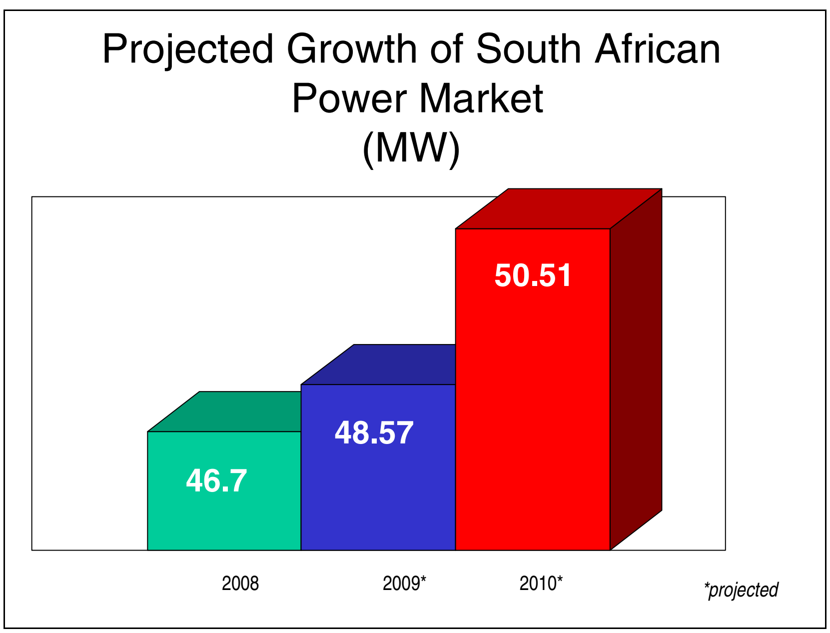
Agricultural Sectors

- Grains
- Hides & Skins
- Dairy & Dairy Products
- Seeds
- Wood Products
- Almonds
- Distilled Spirits
- Seafood

Electrical Power Systems

Overview

Return to top



	2008 (estimated)	2009 (projected)	2010 (projected)
Total Market Size	46.7	48.57	50.51
Total Local Generation	45	48	51
Total Exports	2.5	2.5	2.5
Total Imports	1.7	1.7	1.7
Imports from the U.S.	N/A	N/A	N/A

Note: All figures in thousands of megawatts (MW)
Above figures are anecdotal and unofficial estimates obtained from industry sources

South Africa's rapid economic growth in recent years has resulted in electricity demand rising faster than planners had anticipated. Peak period consumption has increased by an estimated 15 percent over the past decade, until a six percent decline starting in late 2008. This dramatic rise has narrowed the gap between total electricity demand and the available supply.

The increase in demand for electricity over the past several years has diminished reserve margins to approximately eight to ten percent. Industry sources generally recommend a margin of about 15 percent. Media reports estimate imports of electricity to remain constant in the short to medium-terms.

Eskom, the state power company, has accelerated its capacity expansion program in line with the South African Government's drive to boost economic growth to six percent by 2010, and investment decisions are based on this growth target. It is estimated that this will result in average growth in demand of 4.4 percent per year, requiring approximately 47,252 megawatts (MW) of new capacity, more than double the total existing capacity. To satisfy new demand, approximately 3,000 MW per year would have to be built by 2025.

The South African Government has also decided that Eskom will build approximately 70 percent of the new capacity required in South Africa. The balance is expected to come from independent power producers (IPP's). In the short to medium term, Eskom will be the buyer in the power purchase agreements with these IPP's.

Additional power stations and major power lines are being built on a massive scale to meet rising electricity demand in South Africa. Eskom has a budget of over $44 billion (R353 billion) allocated to expand capacity up to the year 2013. That figure is expected to grow to more than a trillion U.S. dollars by 2026, according to media reports.

The power-generating infrastructure mix proposed to meet the increased demand includes nuclear power, as the South African Government indicated a preference for nuclear energy over other sources of energy generation technologies. AREVA (French) and Westinghouse (USA) had been shortlisted by Eskom in its tender to build the "Nuclear 1" power plant, which could be a new generation pressurized water reactor (PWR) with a capacity of between 3,200 MW and 3,500 MW. However, late last year, Eskom announced a delay in the project, due largely to the lack of available financing.

Best Prospects/Services Return to top

Products and services with immediate need or potential in South Africa include:

- Construction of New Power Stations,
- Pebble Bed Modular Reactor (PBMR),
- Electricity Network Upgrade,
- Refurbishment of Turbines and Related Equipment,
- Transmission and Distribution Equipment,
- New Plant Equipment and Related Systems, and
- Systems Control Equipment.

Opportunities

Return to top

Eskom estimates that up to $47 billion will be spent on new infrastructure for power generation, transmission and distribution projects in South Africa over the next five years.

Following an intense evaluation and adjudication process, Hitachi was awarded the $6.67 million (R20-billion) boiler contract and Alstom the $1.73 million (R13-billion) turbine contract, for Eskom's Medupi power station. The station will have a 4,800-MW installed capacity, at Lephalale in the Limpopo Province, the biggest dry-cooled power station in the world. With its high efficiency, the supercritical design, a first for Eskom, will result in better utilization of both water and coal resources and improved environmental performance. The first 800MW unit is scheduled for completion in late 2011 – early 2012, with the entire station to be completed by 2015. The signing of these two contracts marks a significant milestone in Eskom's capacity expansion program. The boiler and turbine contracts combined are the largest that Eskom has ever signed in its 84-year history. (Note: the above conversions between U.S. dollars and South African rands in this section are based on the average exchange rate for 2008.)

The project forms part of the utility's integrated strategic electricity plan. Eskom's official cost figure for the construction of Medupi is $9.83 billion (R78.6 billion), which represents a significant portion of its medium-term capital expenditure plans. Eskom has already approved generation projects worth $25.5 billion (R204 billion), transmission projects worth $1.9 billion (R15.5 billion), and distribution projects worth $3.13 billion (R25 billion).

Nuclear Energy

Eskom plans to double its total power generating capacity to 80 000MW over the next two decades, with nuclear power making up about half of the new capacity. Up until December 2008, Eskom was considering bids from France's AREVA and the U.S.'s Westinghouse Electric to build a new conventional nuclear power plant that would have started generating electricity by 2016. More nuclear plants were in the works by 2025. There is currently one conventional nuclear power plant in the country, Koeberg in the Western Cape, which contributes about 1,800 MW to the national grid.

South Africa is also going ahead with the $2.27-billion Pebble Bed Modular Reactor (PBMR) project, one of the most technologically advanced capital investment projects undertaken in the country since 1994. The PBMR project entails the building of a demonstration reactor at Koeberg near Cape Town and a pilot fuel plant at Pelindaba near Pretoria.

The PBMR is a high-temperature helium gas-cooled nuclear reactor, which produces electricity. The goal is to eventually generate between 4,000 MW -5,000 MW of capacity from PBMR reactors in South Africa. Pending the success of the model nuclear power plant, South Africa expects to build about 20- 30 PBMR plants starting in 2010 onwards, pending financial and other considerations. Eskom has indicated that it does not want to be the majority shareholder in the project, and would welcome discussions with potential new partners.

In fact, the PBMR is a primary response to the country's energy crisis, according to sector reports. This South African project, according to media reports, will to be the first commercial-scale high-temperature reactor in the world. If successful, another 10 plants could be built.

Distribution Network:

The Department of Minerals and Energy, through its wholly owned Electricity Distribution Industry (EDI Holdings), is in the process of restructuring the $5 billion a year electricity distribution industry (EDI) into six regional electricity distributors (RED's). South Africa's first RED, known as RED One was signed into operation in May 2005. In 2006, EDI was allocated $150 million (R1.2 billion) to accelerate the establishment of the Reds over the next three years. In June 2008, EDI allocated $10.25 (R82 million) for preparation to establish Red Three, and in July of the same year, it allocated a further $8.69 million (R69.5 million) for preparation to establish Red Four.

The restructuring process will see Eskom Distribution and 187 municipalities transferring all their assets, liabilities, obligations, staff, and rights to the RED's. The aim of the project is to make electricity distribution more streamlined, resulting in a more efficient service, with improved infrastructure maintenance. Six RED's will be established throughout the country, in the following metropolitan areas: Johannesburg, Tshwane (Pretoria), Ekurhuleni (East Rand), eThekwini (Durban), Port Elizabeth, and Cape Town.

Occasional power outages were experienced during 2006 followed by more frequent power outages in 2007-08. Analysts expect this state of affairs to continue in the short to medium term. Industry analysts have pointed to the age and lack of maintenance of the electricity distribution equipment as partly the cause of "load-shedding," or "blackouts", particularly in Johannesburg. The average age of current equipment is 30 years. U.S. companies are encouraged to leverage this need for the provision of necessary supplies when the transition to RED's takes effect.

Upcoming capital expenditure will focus on:

- Upgrading all transmission and distribution equipment to alleviate current overloading situations;
- Upgrading and replacing all old, under-maintained cable networks; and
- Upgrading of all protection systems, utilizing technologically modern equipment.

The expenditure program will also seek:

- To construct or expand key substations to alleviate loading problems and also to eliminate the use of nonstandard voltages (such as 20 kV); and
- To expand the SCADA (Supervisory Control and Data Acquisition) system in order to make it possible to monitor and operate more substations remotely.

Resources

Return to top

Exhibitions and Conferences

Energy Solutions for Africa
Date: January 28-29, 2009
Venue: Sandton Convention Center, Johannesburg, South Africa
Website: www.energyafricaexpo.com

Africa Power 2009
Date: April 20-24, 2009
Venue: Sandton Convention Centre, Johannesburg, South Africa
Website: http://www.terrapinn.com/2009/powerza/

Publications

Engineering News
Website: www.engineeringnews.co.za

Key Contacts

South African National Energy Association (SANEA)
Website: www.sanea.org.za

Department of Minerals & Energy
Website: www.dme.gov.za

Eskom Holdings Limited
Website: www.eskom.co.za

Electricity Distribution Industry Holdings (EDI)
Website: www.ediholdings.co.za

Central Energy Fund (CEF)
Website: www.cef.org.za

Associations:

See Key Contacts

Chambers of Commerce

American Chamber of Commerce (AMCHAM)

Country Commercial Guide for South Africa 2009

Website: www.amcham.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Beki.Ndimande@mail.doc.gov; Phone: +27-11-778-4808; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/.

Telecommunications Equipment & Services

Return to top

Overview

Return to top

Telecom performance indicators

Indicator	2006	2007	2008 (estimated)
Fixed Line Network			
Lines connected (Telkom)	4,872	4,532	4,550
Teledensity	10.30	9.34	9.38
Digitilization switching	99%	99%	99%
Mobile Networks			
Mobile Operators	3	3	3
Mobile subscribers	37,360	43,854	50,250
Teledensity	79.19	90.42	103.60
Digital Leased Lines			
Local	36,433	36,433	36,433
Number of public phones	158,000	143,000	140,000
Number of internet accounts	1,230	1,340	1,380

Source: NCA,BMI-T,2008

Telecom Operators

National Fixed Line Network Operator	Telkom SA Limited
Second Network Operator (SNO)	Neotel
Private Network operator 1	Eskom Enterprises
Private Network Operator 2	Transtel
Mobile Operator 1	Vodacom
Mobile Operator 2	MTN
Mobile Operator 3	Cell C
ISP 1 (tier 1)	Verizon Business
ISP 2 (tier 1)	Internet Solutions
ISP 3 (tier 1)	SAIX
ISP 4 (tier 1)	MTN Network Solutions
ISP 5 (tier 1)	Datapro

Source: NCA,BMI-T,2008

Telecommunications is one of the fastest growing sectors of South Africa's economy, particularly in mobile telephony. The communications sector together with the transportation accounts for almost ten percent of the country's GDP. South Africa's telecommunications network is 99.9 percent digital, making the system the most sophisticated in the African continent. Nonetheless, bandwidth remains relatively limited and expensive in the country. The good news is that rollout of wireless broadband has added a competitive edge to the market thus improving coverage in areas under serviced by fixed lines. Wider access to broadband, ADSL and 3G has boosted internet connectivity to the point that the number of internet browsers has increased by 121 percent over the last two years, from 1.8 million in 2005 to approximately 3.8 million in 2007.

Most high-tech telecommunications equipment is imported, and the major international manufacturers are well represented, including Siemens, Alcatel, Nortel, Avaya, and Motorola. The notable exception is Tellumat, a local manufacturer and a world leader in the development of private branch exchanges (PBX/PABX) and wireless radio equipment. Most players in this industry distribute imported equipment, and many are now re-exporting to the SADC countries (Angola, Botswana, Lesotho, Namibia, Mozambique, Malawi, Mauritius, Democratic Republic of Congo, Tanzania, Swaziland, Seychelles, and Zimbabwe).

Telkom SA remains the leading telephone operator with a dominant market position in the landline segment with approximately 4.5 million fixed-line subscribers. The Government-owned company has a long track record in wireless communications, though it recently broke with Vodafone on its cellular telecom venture, Vodacom, and is trying to sell Telkom Media (pay-TV) business. Telkom will continue with its rollout of broadband fixed and wireless services. Telkom has already introduced CDMA and WiMax, and secured a Pay TV License from ICASA (the Independent Communications Authority of South Africa). Other WiMax licensees include Sentech, IBurst and Neotel. A number of ISP's and VAN operators have applied for new licenses.

Neotel was licensed to operate as the second network operator (SNO), thus introducing competition to Telkom SA for the first time (as the first national infrastructure-based competitor in the fixed line telecom sector in the country). Neotel is rolling out a CDMA network and has adopted a phased approach in its service offerings, starting with corporate customers. The company introduced wholesale international services in 2006 with a national network out in the first quarter of 2007 and inner-city connectivity to corporations, operators and service providers in 2008. In late 2008, a judge ruled that all value-added networks (VANs) licensees could build their own infrastructure, thus opening up competition in the market. ICASA subsequently granted 288 Electronic Communications Network (ECN) licenses, although only a fraction of these are expected to build their own infrastructure.

With the national demand for broadband services, a number of telecommunications service providers has formed a consortia to lay fiber optic submarine cable systems from South Africa to Europe, the U.S., and India. Two fiber optic cable systems, Seacom (private investors) and Eassy (consortium of telecommunication providers), will be linked into eastern Africa. Seacom is scheduled to start offering services in the second quarter of 2009, and Eassy in the second quarter of 2010, in time for the 2010 FIFA Soccer World Cup event to be held in South Africa.

Seacom will have its own cable landing station on the north coast of Kwazulu Natal in Mtunzini, with landing points in Mozambique, Madagascar, Tanzania, and Kenya. The Seacom submarine cable project will cost $650 million and have a bandwidth capacity of 1.38 terabits per second. Neotel has invested R20 million ($2 million) in Seacom. The project is expected to ‘shake up’ the South African telecoms market by breaking incumbent sole operator Telkom's stranglehold on the wholesale international bandwidth market. MTN and Neotel will connect their networks to the Seacom cable.

The current cellular industry consists of three cellular communications network operators, namely, MTN, Vodacom and Cell-C/Virgin Mobile. Virgin Mobile is a joint-venture between Cell-C and UK-based Virgin Media, operating across the Cell-C network. The South African cellular industry has enjoyed phenomenal growth in the last five years, from almost 14 million subscribers in 2003 to over 40 million in 2007. MTN and Vodacom collectively account for almost ninety percent of the market.

In the face of the eventual slowdown of growth in cellular telephone penetration (where the penetration rate is expected to reach over 100 percent by 2010), attention will shift towards the advanced services market. Network operators Vodacom and MTN have deployed an enhanced 3G solution to help expand the existing NGN network and roll out HSDPA. Both mobile operators plan to partner with other telecom operators to build a fiber optic network across the country’s major centers to meet the increasing demand for bandwidth from consumers.

ICASA serves as the telecommunications regulator and issues operating licenses to service providers, manages frequency spectrum, and protects consumers against unfair business practices. ICASA also implements policy directed by the Department of Communications (DoC), the public service arm of the Ministry of Communications.

Best Products/Services Return to top

- MPLS (Multiprotocol Label Switching)
- IPv6 (Version 6 of the IP)
- Broadband Demand Digital Terrestrial Television (DTT)
- Wireless Broadband Services
- Advanced Cellular Services
- Converged IP Services

Opportunities Return to top

- Power over the Ethernet (PoE) is a growing requirement for corporate networks.

- Multiprotocol Label Switching (MPLS).
- IPv6 will be considered in every equipment purchase, even though its impact will not be felt in the next couple of years.
- Advanced services marketing in the cellular industry. Network operators have already deployed a further 3G solution to help expand the existing NGN network and roll out HSDPA.

Resources Return to top

Exhibitions and Conferences

SATCOM AFRICA 2009
Description: Satellite Communications
Venue: Sandton Convention Center, Johannesburg
Date: April 6-9, 2009
Website: http://www.terrapinn.com/2008/satcomza/

MEDIATECH AFRICA 2009
Description: Advanced technology for the broadcast, audiovisual communication, media and staging industry.
Venue: Coca-Cola Dome, Northgate, Johannesburg
Date: July 23-24, 2009
Website: www.mediatech.co.za

CAPACITY AFRICA 2009
Description: This conference concentrates on the available and planned capacity (both satellite and sub marine fiber optic systems) into South Africa and what effect this may/will have of telecommunication prices in South Africa. The other aspect of this conference is to ascertain the available domestic capacity (Telkom and Neotel).
Venue: to be determined (probably Cape Town)
Date: October 13-14, 2009
Website: www.capacitymedia.com

Publications

Communication Technologies Handbook
BMI-Technowledge
Contact: Anita Mathews
Tel: +27-11- 540 8000; Fax: +27-11-540 8001
Email: ammmm@telkomsa.net
Website: www.bmi-t.co.za

Quantum
Publisher: Crown Publications CC
Contact: Jenny Warwick
Tel: +27-11-622-4770; Fax: +27-11-615-6108

Country Commercial Guide for South Africa 2009

Email: quantum@crown.co.za
Website: www.crown.co.za

Key Contacts

South African Department of Communications (DoC)
Website: www.doc.gov.za

Independent Communications Authority of South Africa (ICASA)
Website: www.icasa.org.za

Telkom South Africa
Website: www.telkom.co.za

Neotel
Website: www.neotel.co.za

Seacom
Website: http://www.seacominc.com/

Sentech
Website: www.sentech.co.za

Transtel (Neotel Partner)
Website: www.transtel.co.za

Eskom Enterprises (Neotel Partner)
Website: www.eskom.co.za

Vodacom (Cellular Operator)
Website: www.vodacom.co.za

MTN Networks (cellular Operator)
Website: www.mtn.com

Cell C (Cellular Operator)
Website: www.cellc.co.za

Virgin Mobile
Website: http://www.virginmobile.co.za/

For More Information

The U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at: Luisa.D.Santos@mail.doc.gov; Phone: +27-11-778-4806; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/.

Aviation
Return to top

Overview
Return to top

	2006	2007	2008 (estimated)
Total Market Size	367	376	390
Total Local Production	102	125	118
Total Exports	88	85	93
Total Imports	235	283	302
Imports from the U.S.	98	124	138

Note:

All figures in US$ millions.

Country Commercial Guide for South Africa 2009

Above figures exclude the value of the unannounced B-747 replacement program of SAA expected during 2009.
Above figures are unofficial estimates obtained from industry sources.

2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R7.05
2008 Rand/Dollar exchange rate: US$1 = R8.00

The hosting of the 2010 World Cup Soccer event in South Africa, together with ongoing freight handling upgrades and the already growing domestic low-cost carrier market, will continue to stimulate airport development in South Africa. The country's air transport sector has been forecast to grow at approximately seven percent annually for the next six years, resulting in a $444 million market by 2011.

The single most important aviation procurement for 2009 will be an expected replacement of the B-747 fleet by the national carrier, South African Airways. The South African Police Services (SAPS) has procured a small fleet of Squirrel light helicopters in 2008 as part of a new program.

South Africa has eleven principal airports, including four international hubs and hundreds of smaller regional and private airports. The South African parastatal, Airports Company of South Africa (ACSA), owns and operates the country's nine main airports, including Johannesburg's OR Tambo International Airport, the air transport hub of Sub-Saharan Africa. ACSA's capital expenditure over the past seven years amounted to about $560 million. The company is an important multiplier for U.S. companies wishing to gain access to the African airport market.

The construction of the long-awaited King Shaka International Airport (KSIA)/Dube Trade Port development in Durban was launched in 2007 by the prime contracting consortium, Illembe. KSIA is due to be operational by early 2010 with a 3.7-kilometer runway and a terminal capable of handling six million passengers per year. KSIA will also have the ability to handle such aircraft as the A380, and a freight capacity of 55,115 tons per year. Most mission-critical contracts of this project are currently being rolled out or have already been awarded.

Best Prospects/Services

Return to top

The best prospects for U.S. airport solutions providers to take advantage of infrastructure upgrades as well as KSIA over the next two years will be:

- Ground Support Equipment,
- Passenger Transport Vehicles,
- Luggage Handling Vehicles and Systems,
- Cargo De-Grouping and Logistics,
- Passenger Air Bridges,
- Air Traffic Control,
- International Airport Site Relocation Expertise,
- Instrument Landing Systems, and

- Safety and Security Systems Integration.

Large U.S. suppliers of technical airport ground support systems are well represented in South Africa, through representatives, agents or distributors. The logical scope for further business development between U.S. and South African partners lies most especially with smaller and medium-sized U.S. companies that have specialized technologies that can be resold from, or incorporated within, South Africa.

U.S. products and technology are respected on a technical basis, largely due to the quality that U.S. solutions provide. There is continual demand for commercial and general aviation solutions from the United States in the following fields:

- Engine Management Systems;
- Precision Tooling; and
- Maintenance, Repair and Overhaul (MRO) Certification.

Due to a severe shortage of skilled technicians in a growing industry, a low throughput from training institutions, and general concern with aviation safety and MRO standards, there are definite opportunities in training systems to upgrade the skills pool.

Opportunities Return to top

The continued growth of commercial and general aviation in Southern Africa will see significant investments in equipment and systems at airports. ACSA will be the biggest single user of this equipment. KSIA will be the focus of significant new systems rollout at this new airport project by 2010.

Continuous upgrades of Air Traffic Control (ATC) both in South Africa, as well as in neighboring countries that rely on the capacity of Air Traffic and Navigation Services (ATNS), are ongoing.

The South African Weather Services (SAWS) is still expected to announce the outcome of a tender for a significant program for weather surveillance radar systems.

Resources Return to top

Exhibitions and Conferences

U.S. and Sub-Saharan Africa Partners in Safety and Security in Aviation Conference.
Date: April 27 – 29, 2009
Cape Town
Sponsored by the U.S. Trade and Development Agency.
Contact: Pamela Peseux:
+1.305.667.4705, or +1.866.636.4729 •
Fax: +1.305.667.7840 •
Email: ustda@trademeetings.com

Africa Aerospace and Defence 2010
Land Sea and Air Systems Show.
Date: September 1, 2010
Ysterplaat Air Force Base
Cape Town
Website: http://www.aadexpo.co.za

Key Contacts

Airports Company South Africa (ACSA)
Website: www.airports.co.za

Air Traffic and Navigation Services (ATNS)
Website: www.atns.co.za

Commercial Aviation Association of Southern Africa (CAASA)
Website: www.caasa.co.za

Dube Trade Port/King Shaka International Airport (KSIA)
Website: www.dubetradeport.co.za

Aviation Companies Index of Southern Africa (AVDEX)
Website: www.avdex.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Johan.vanrensburg@mail.doc.gov; Phone: +27-11-778-4815; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/

Automotive Components Return to top

Overview Return to top

The automotive industry is the leader in the manufacturing sector in the South African economy, accounting for about 7.5 percent of GDP, a contribution that is growing annually. Although the industry is responsible for only 0.8 percent of the world's vehicle production (66-million units), it produced over 75 percent of Africa's vehicle output.

	2006	**2007**	**2008 (Projected)**
Total Market Size	34	34.71	29.89
Total Local Production	12.35	11.52	11.50
Total Exports	7.93	9.59	11.88
Total Imports	12.83	14.50	12.5

Imports from U.S.	0.551	0.766	0.625

Source: NAAMSA

Note:
All figures in US$ Billion
Above Figures are unofficial estimates obtained from industry sources
2006 Rand/Dollar exchange rate: U.S. $1 = R6.90
2007 Rand/Dollar exchange rate: U.S. $1 = R7.05
2008 Rand/Dollar exchange rate: U.S. $1 = R8.00

- *Total Market Size represents new and used vehicle sales, workshop revenue, spares, accessories and other trading revenue*
- *Total exports represents the total value of both components and vehicles in terms of the Motor Industry Development Program (MIDP)*
- *Total imports represents the total value of imports of both components and vehicles in terms of the MIDP*
- *Imports from the U.S. also reflects the value of components and vehicles*

Imports of automotive components have risen dramatically, from 32.2 percent of the domestic market in 1994 to 47.3 percent in 1998. These trends were linked directly to the South African Government's incentive policy for the automotive industry: the Motor Industry Development Program (MIDP).

In September 2008, the South African Government approved the new Automotive Production and Development Program (APDP) which replaced the MIDP. The APDP aims to stimulate growth in the automotive vehicle production industry to 1.2 million vehicles per year by 2020, with associated strengthening of the components industry. This program would have the following four key elements:

a) stabilize and moderate import tariffs from 2012, pegged at 25 percent for completely built-up vehicles, and at 20 percent for components used by vehicle manufacturers;

(b) establish a local assembly allowance, to be introduced in 2013, allowing manufacturers with plant volumes of 50 000 units a year or more to import 20 percent (reducing to 18 percent over three years) of their components duty free;

(c) set a production incentive, from 2013, in the form of a duty credit aimed at raising production; and

(d) provide for an automotive investment allowance, to be introduced in 2009, in the form of a direct grant to support investment in new plant and machinery. This would amount to 20 percent of the project value over three years.

Overall, South Africa has been one of the best performing automobile markets in the world in recent years. New vehicle sales figures soared to record-breaking levels from 2004 to 2006. In 2006, sales increased by 14.4 percent to just under 650,000 units, generating revenue of $14.8 billion. Sales then dropped by 5.4 percent in 2007, and as expected, dropped further in 2008 as adverse economic conditions, higher interest rates and rising fuel prices curbed spending. The National Automobile Association of South Africa (NAAMSA) noted that sales of new vehicles declined to 488,951 units in 2008, versus 612,708 in 2007. However, exports may help keep the local industry buoyant. Vehicle exports amounted to 170,000 units in 2007, and the NAAMSA projected an increase to 285,000 in 2008. This is extraordinary growth, especially when compared to 1997, when the number of units exported was below 20,000.

South Africa currently exports vehicles to over 70 countries, mainly Japan (around 29 percent of the value of total exports), Australia (20 percent), the UK (12 percent), and the US (11 percent). African export destinations include Algeria, Zimbabwe and Nigeria.

Best Prospects/Services

Return to top

The top ten parts and components imported into South Africa include engine parts, automotive tooling, tires, stitched leather components, gauges/instrument parts, brake parts, catalytic converters, transmission shafts, car radios, and lighting equipment.

Further opportunities for U.S. exports to South Africa are:

- Airbags and Airbag Packs,
- Air-Conditioning Compressors,
- Engine and Engine Components,
- Center Consoles,
- Chassis Modules and Components,
- New Generation Manifolds,
- Aluminum Forging and Castings,
- Instrument Panels,
- Metal Substrates,
- Electric Power Assisted Steering Wheel,
- Plastic Moldings and Paintings,
- Leather Products,
- Body Parts, and
- Electronic Components

Opportunities

Return to top

The large number of model derivatives imported has widespread implications for the aftermarket, which represents an opportunity for U.S. companies. Further, there is a lack of telematic components that are essential for inflating airbags, the facilitation of security and control of tracking devices, and the control of engine/transmission functions. These functions demand more and more sensors, making repair difficult and expensive. Industry sources predict significant growth in the proportion of new cars that will feature automotive telematics. Electronic systems account for as much as a third of the manufacturing costs of new cars and the proportion is increasing – yet another opportunity for U.S. technology to develop in the South African automotive component market.

Automotive Aftermarket: Specialty Equipment

Return to top

Overview

Return to top

Demand for automotive specialty equipment and accessories has grown rapidly in South Africa. The market size is estimated to be between $2– $2.5 billion. Over the last eight years, accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the U.S.

Best Prospects/Services

Return to top

The following performance products are sought after by dragsters in "the race to be the best": intercoolers; ball bearing turbos; octane boosters; gauges; racing bolts; performance water injection systems, high flow injectors; racing clutches; metal head-gaskets; racing pistons; calipers and racing disk kits; high pressure fuel kits; gas flow cylinder heads, and dynanometers.

A constant need to distinguish and individualize vehicles creates opportunities for U.S. suppliers of automotive interior and exterior accessory products such as body styling kits; racing seats; alloy wheels; lowering-suspension kits; graphics; steering wheels; gear and hand-brake pouches; boot spoilers and wings; aluminum pedals; and xenon light kits.

Opportunities

Return to top

In relation to the aforementioned best prospects, South African specialty equipment and accessory retailers constantly seek to expand their product range and welcome opportunities to establish distributor agreements with U.S. firms.

Resources

Return to top

Exhibitions and Conferences

Automechanika South Africa 2009
ExpoCenter Johannesburg
Dates: March 18-21, 2009
Website: http://www.automechanikasa.co.za/

Key Contacts

Department of Trade and Industry South Africa (DTI)
Website: http://www.thedti.gov.za

National Association of Automobile Manufacturers of South Africa (NAAMSA)
Website: http://www.naamsa.co.za

National Association of Automotive Components and Allied Manufacturers (NAACAM)
Website: http://www.naacam.co.za

For More Information

The U.S. Commercial Service in Cape Town, South Africa, can be contacted via e-mail at: Jaisvir.Sewpaul@mail.doc.gov; Tel: +27 (0) 21 702 7379; Fax: +27 (0) 21 702 7402; or visit our website at: http://www.buyusa.gov/southafrica/en/

Building Construction, Transportation and Infrastructure Return to Top

Overview Return to top

The South African construction industry is experiencing significant growth that will be sustained well after the World Cup games in 2010. The current annual investment in the building and construction sectors amounts to $19.60 billion, including unrecorded additions and alterations. Public and private sector demand is driving the growth in infrastructure investment.

South Africa's Accelerated and Shared Growth Initiative for South Africa (ASGISA) is a national initiative, which addresses first and second economies by growing investment and infrastructure with a goal of reaching an economic growth rate of six percent and a reduction in poverty and unemployment by half by 2014. ASGISA is driving public sector investment and related private sector spending.

The current building and construction materials market is estimated at about $11.88 billion per year, with 60 percent sold direct to end-users, and 40 percent via the distribution/merchant network. Of the $11.88 billion, $2.12 billion (18 percent) of materials goes to additions, alterations and home improvement market (including unrecorded home improvement). This bodes well for U.S. suppliers to the building and construction industry

The escalating costs for building supplies and services are increasingly becoming a serious challenge for South Africa's ongoing infrastructure upgrades in ports, rail, pipelines, and electricity generation.

Best Prospects Return to top

The Building and Construction Sector

National Roads Infrastructure

The focus of South African National Roads Agency Limited (SANRAL) over the next decade will include road preservation through periodic maintenance, strengthening of roads with a lifespan of five years or less, and expansion of road capacity. Over the medium term, 489 national roads and related projects will be in the pipeline. Road infrastructure inputs (by volume) are expected to peak in 2009 with the most significant being cement (161 kilotons), aggregate and stone mix (5 megatons), ready-mix concrete (262 kilotons), bitumen (71 kilotons), cranes (30t x 38 units), and 432 tipper trucks. Concerns have been raised by SANRAL over the supply of cement, aggregate and bitumen in particular.

Expanded Provision of Housing

Demand for 40-square-meter houses have been based on growth projections of 168,902 units in 2007 to 254,346 units in 2009. From 2010 until 2016, 625,324 units would need to be constructed annually to eliminate current backlogs. This represents a 245 percent increase between 2009 and 2010. Annual material inputs requirements for some of the sensitive materials at peak demand for 40 square meter houses will be 187.06 kilotons of reinforcing steel, 24.94 million square meters of roof sheet steel and 2.65 megatons of cement from 2010 to 2016.

The most significant capital equipment requirements will be for Tractor Loader-Backhoe (TLBs) and excavators, which peak at 624 units and 312 units respectively in 2010. The need for 20-ton trucks will also increase significantly in 2010, to 9,597 units or 3.7 times the number required in 2007.

Transportation and Infrastructure

Transnet

Growth in the South African economy has placed significant pressure on Transnet's freight logistics capacity, which has also suffered historically from maintenance and capital expansion under-spending. In addition to the extensive business reengineering process (Vulindlela) currently being undertaken by Transnet, focus has also been placed on substantial maintenance and capital investment projects. The parastatal company plans to spend $8.06 billion over the next five years to improve and expand infrastructure. To date, Transnet has invested in the following improvements:

Spending to date have included the following major capital projects:

– Iron Ore Expansion

– Coal Line expansion

– Ngqura Container Terminal

– Durban Harbor Entrance Channel widening and deepening

– Cape Town Container Expansion

– New Multi-Product Pipeline

– Capitalization of infrastructure and rolling stock maintenance

– Fleet renewal and modernization program

– Re-engineering of Durban Container Terminal

– Acquisition of floating craft (tugs and dredger) for TNPA

– Bulk investments for Richards Bay and PE Manganese

– Port National Security

Source: Transnet (www.transnet.net)

Capital expenditure by Transnet's Freight Rail, formerly known as Spoornet, is expected to total $3.94 billion and focus on the following areas:

- Upgrade to the Sishen-Saldanha iron-ore line from the current 29 million tons a year to 41 million tons by 2009-10. The expansion is necessary to cope with envisaged expansion by iron-ore mining companies Kumba Resources and Assmang.
- The Richards Bay coal line and infrastructure expansion.
- Refurbishment and maintenance programs.
- General freight fleet renewal/ upgrade programs.

Significant equipment and facilities upgrades will also be undertaken at Transwerk at a total cost of $32.5 million.

The National Ports Authority (NPA) will spend $2.32 billion on:

- The completion of the Port of Ngqura.
- Container terminal expansion in Cape Town and Durban.
- The Durban port entrance channel project to enable growth and servicing of larger ships.

SAPO will improve port handling logistics within a projected budget of approximately $1 billion to facilitate:

- Container terminal expansion in Durban, Cape Town and Ngqura.
- Multi-purpose terminal expansion in Durban.
- Iron ore terminal expansion.
- Richards Bay dry bulk terminal expansion.

Opportunities Return to top

Most of the building and construction materials required by the private sector are manufactured locally. However, imports are readily available across the product groups, and are particularly important for high-value products such as ceramic wall and floor tiles, taps and mixers, and sanitary ware. Commodity products are imported when need dictates, such as in the cement market. Over 750,000 tons of cement were imported in 2006, mainly by the cement manufacturers themselves.

Imports are typically sourced from countries with large production capacities and low costs, and are particularly prevalent from China, Eastern European and Latin American countries. Very often these products are sold in South Africa at prices lower than those produced by local suppliers. Definite opportunity exists for U.S. suppliers of the following commodities:

- Cement,
- Reinforcing Steel and Sections,
- Walling, Flooring, Roofing and Vertical Cladding,
- Aggregate and Sand,
- Windows and Doorframes,
- Plumbing pipes and Fittings,
- Roof Trusses,
- Ceilings and Partitions, and
- Bitumen

Resources Return to top

Key Contacts

The Department of Trade and Industry South Africa
Website: http://www.thedti.gov.za

Transnet
Website: www.transnet.co.za

Associations

Gauteng Master Builders Association
Website: http://www.gmba.co.za/

KwaZulu Natal Master Builders Association
Website: http://www.mba-kzn.co.za/

Western Cape Master Builders Association
Website: http://www.mbawc.org.za/

Chambers of Commerce

American Chamber of Commerce South Africa
Website: http://www.amcham.co.za

For more information

The U.S. Commercial Service in Cape Town, South Africa can be contacted via e-mail at: Jaisvir.Sewpaul@mail.doc.gov; Phone: +27-21-702-7379; Fax: +27-21-702-7402 or visit our website: http://www.buyusa.gov/southafrica/

Franchising Return to top

Overview Return to top

The franchising sector in South Africa accounts for around 12.5 percent of the gross domestic product (GDP) and employs over 370,000 people. Franchising turnover has grown by 37 percent to R256 billion (approximately $ 32 billion). Over 67,000 jobs have been created in this sector over the two last years.

Around 90 percent of South Africa's franchise opportunities are based on locally developed concepts, a trend that is contrary to most countries outside the USA, where foreign brands tend to dominate the market. This is largely due to the fact that trade sanctions were in full force at the time when franchising was being established in South Africa, and that local brands now dominate the market. Interestingly, one-third of SA's franchises are non-foods systems, with the biggest growth areas being service-based and mobile or "man-in-a-van" concepts.

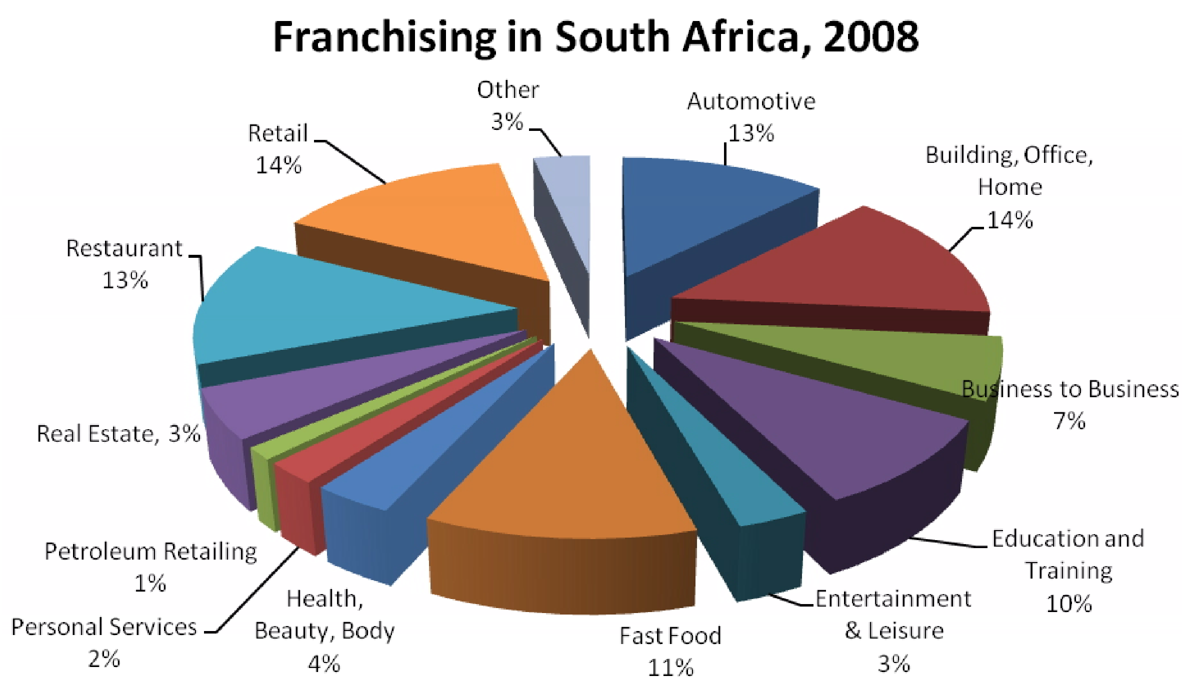
According to the 2008 Standard Bank Franchise Factor Survey, there are 531 franchise systems in South Africa. The number of business units in the sector increased by 14 percent over the past two years, bringing the total number to 28,620, with 32 percent of business owned by previously disadvantaged individuals (PDI).

The best performing sub-sectors in the period under review were the building, office and home services sector, with 26 new franchises, followed closely by retail (22 new franchises) and automotive and restaurant franchises (14 and 12 new systems, respectively). The real estate, health and beauty sector gained 11 new franchises, tied with education and training services.

Despite challenges facing the sector, such as limited support from financial and other government-funded support institutions, further growth is anticipated based on the sector's solid history of growth. Factors such as local innovation and sustainability will continue to grow this sector with the 2010 FIFA Soccer World Cup serving as an additional stimulant presenting new opportunities for this sector.

The franchise sector may be an unintended beneficiary of the economic downturn, and as jobs in the formal sector tighten, people are forced to look for alternative sources of income and employment.

As the chart below indicates, the franchising sector in South Africa is also varied in terms of the types of businesses represented. The top two types of franchising businesses are fast food and restaurants combined, while building, office and home services follow behind.



Best Products/Services

Return to top

While the South African economy has seen consistent growth over the last several years, huge inequalities remain. Opportunities for high-end consumer brands that require several locations to be viable are limited. At the same time, there are a number of business models that can be successful in this market, as evidenced by the wide range of franchising business types already operating in South Africa.

The following are examples of some franchising sectors that have experienced particular growth in recent years:

- Building, Office and Home Services
- Retail
- Automotive
- Education and Training
- Restaurants
- Toys

Opportunities Return to top

Research has shown that, in tough economic times, small businesses sustain themselves and play an even more critical role in the economy. Franchising in South Africa has demonstrated a phenomenal rate of survival. This will continue to encourage new players into the market. In the current economic climate, although retailers are struggling, there is potential for innovative and new service-oriented concepts for this market. It is anticipated that as the bigger players grow, it will become even more critical for smaller companies to align themselves with companies with strong track records that have weathered such economic conditions before.

While the franchising market has grown in South Africa, U.S. brands are still under-represented. Only a small number of U.S. brands are represented here, including McDonalds and KFC, although those that are here have reported successful efforts in market penetration and expansion. At the same time, respect for and awareness of many U.S. brands is high.

Resources Return to top

Key Contacts

Franchise Association of South Africa
http://www.fasa.co.za

Franchize Directions
http://www.franchize.co.za

Small Enterprise Development Agency
http://www.seda.org.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Miranda.isaakidis@mail.doc.gov ; Phone: +27-11-778-4811; Fax: +27-11-268-6102 or Maretha.Malan@mail.doc.gov; Phone +27-11-778-4817: Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/

Alternative Energy [Return to top]

Overview [Return to top]

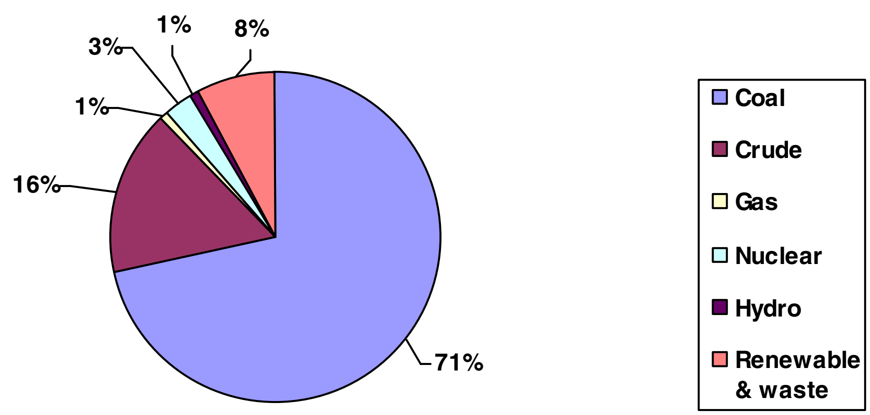


Fig 1: South Africa Energy Generation Mix

Renewable energy currently contributes about nine percent to South Africa's total energy generation mix. The Department of Minerals and Energy (DME) has set a target for the share of renewable energy of the country's total energy consumption of 10,000 GWh (gigawatt hours) by 2013. This is approximately four percent or 1,667 MW (megawatts) of the projected energy demand of 41,539 MW for 2013, in addition to the current production for renewable energy.

Best Products/Services [Return to top]

Wind and solar thermal energy, two of the most accessible and growing sectors, head the list in South Africa for the most likely contributors to the national grid. There is also considerable potential for non-grid renewable power applications, which can be used to ensure access to power in remote rural areas. Wind energy is leading the way as a potential source of generation of environment-friendly electricity. In addition, energy studies identify solar energy as the most readily accessible renewable energy resource available in South Africa.

Renewable Energy

The South African Department of Minerals and Energy (DME) has a set a goal of 10,000 GWh for electricity output, partly based on such renewable energy sources as biomass, wind, solar and small-scale hydro.

According to market analysts, this target, if achieved, will:

- Add about 1,667 MW new, renewable energy capacity, with a net impact on Gross Domestic Product (GDP) as high as $142.8 million a year;
- Create additional government revenue of $39.87 million;
- Stimulate additional income that will flow to low-income households by as much as $17.07 million, creating just over 20,000 new jobs, and
- Contribute to water savings of 16.5 million kiloliters, which translates into savings of $3.55 million.

The World Bank report on the Global Environment Facility (GEF) Strategy for the Market Development of Concentrating Solar Thermal Power (CSP) states that CSP is the most cost-effective option to convert solar radiation into electricity and has been proven operationally in California since the mid-1980s. CSP is also the leading candidate for the zero-greenhouse-gas technologies that are technically feasible, but not yet commercial.

A feasibility study by Eskom, the South African national power utility, on a 100MW solar generating project in the Northern Cape found that a pilot-scale concentrating solar power (CSP) plant built in South Africa could produce the lowest-cost solar electricity in the world to date.

Eskom proposes to generate thousands of megawatts of base load power from solar energy, with the initial construction of a 100-MW solar demonstration power plant. If the demonstration plant proves to be commercially feasible, the utility could then construct a 1 000-MW plant. Eskom is conducting a study on the maximum power it could generate through solar power. The utility's current objective is to include 1,600 MW of renewable energy into its power generation by 2025, through solar, wind, hydro and biomass.

The Northern Cape site offers one of the best solar resources in the world, where a concentrating solar power plant could be designed to meet evening peak loads. But the unit cost of concentrating solar power will be more than Eskom's cost of coal power for the foreseeable future. Nevertheless, the economics of renewable energy are expected to become more attractive in time, as shown by the SECCP/EarthLife Africa (Sustainable

Energy & Climate Change Project), which concluded that renewable energy options are likely to be the most cost-effective options for energy supply in the future.

There are currently two key pilot wind power projects in South Africa: at Klipheuwel (3.2 MW) and Darling (5.2 MW), both in the Western Cape. Klipheuwel, funded by Eskom at a cost of $5.25 million (R42 million), is the biggest wind farm in sub-Saharan Africa. Eskom estimates that the practical usable wind resource on South Africa's coasts is about 1,000 megawatts.

Currently, there are eight licensed small hydro facilities less than 50 MW each, with a combined capacity of 68 MW. The power generation potential of small hydro schemes amounts to 9,900 GWh per year. In addition, 3 MW of a planned 7 MW hydroelectric plant near Bethlehem, in the Free State Province, is expected to be commissioned in March 2009, with the balance of the 4MW unit coming on line in late 2009. According to media reports, another 10MW plant could be built in the same area of the province.

The main sources of biomass are fuelwood used in the rural domestic sector, bagasse in the sugar industry, and pulp and paper waste in commercial forestry industry for in-house heat and electricity generation. Biomass in the form of fuelwood, wood waste, dung, charcoal and bagasse accounts for close to 10 percent of net energy use at a national level. The viability of wood as an energy source suitable for electricity generation lies within the wood, pulp and paper industries.

Opportunities Return to top

The choice of the initial technologies to be implemented is based on the level of commercialization and natural resource availability. These technologies include:

- Concentrating Solar Power (CSP)
- Sugar-cane bagasse for cogeneration (the pulp that remains after juice has been removed from sugar cane or sugar beet);
- Landfill gas extraction;
- Mini-hydroelectric schemes, and
- Commercial and domestic solar water heaters.

The DME has introduced nominal, once-off capital subsidies to assist project developers in implementing economically sound projects that are readily financed by financial institutions.

The State-owned Central Energy Fund (CEF) has established the Energy Development Corporation, whose mandate is to investigate opportunities in the field of renewable energy and prepare business cases for viable initiatives.

The DME has also set up the Renewable Energy Finance and Subsidy Office (REFSO), whose duties include:

- The management of renewable energy subsidies; and
- Offering advice to developers and other stakeholders on renewable energy finance and subsidies. This includes information on the size of awards, eligibility,

procedural requirements, and opportunities for accessing finance from other sources.

Resources

Return to top

Trade Events

Energy Solutions for Africa
Date: January 28-29, 2009
Venue: Sandton Convention Center, Johannesburg, South Africa
Website: www.energyafricaexpo.com

Green Building Conference 2009
Date: July 7-8, 2009
Venue: Sandton Convention Centre, Johannesburg, South Africa
Website: www.greenbuilding.co.za

ISES Solar World Congress 2009
Date: October 11-14, 2009
Venue: Sandton Convention Center, Johannesburg, South Africa
Website: www.swc2009.co.za

Key Contacts

Government/Parastatals

Central Energy Fund
Website: http://www.cef.org.za/

Department of Minerals & Energy
Website: www.dme.gov.za

Eskom Holdings Limited (State-owned, monopoly electricity utility)
Website: www.eskom.co.za

Associations

African Wind Energy Association
Website: http://www.afriwea.org/en/south_africa.htm

Sustainable Energy Association of Southern Africa (SESSA)
Website: www.sessa.org.za

Chambers of Commerce

American Chamber of Commerce (AMCHAM)
Website: www.amcham.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Bheki.ndimande@mail.doc.gov; Phone: +27-11-778-4808; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/.

Safety/Security Equipment Return to top

Overview Return to top

	2006	2007	2008 (*Estimated*)
Total Market Size	2359	2658	2750
Total Local Production	1701	1750	1800
Total Exports	803	835	865
Total Imports	498	505	515
Imports from the U.S.	125	139	145

Note: All figures in US$ million
Above figures are unofficial estimates obtained from industry sources.
Figures include both services and equipment.

2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05
2008 Rand/Dollar exchange rate: US$1 = R 8.00

High, albeit stabilizing, crime rates in South Africa have created a market of opportunity for the private security services, as well as manufacturers of safety and security equipment. Although surveillance is recognized as an effective crime deterrent, only 20 percent of South African companies have an intrusion detection system. As a consequence, upgrading security has been identified as a top priority by businesses and homeowners in South Africa. They are increasingly looking for external expertise as well as investigating new digital technologies.

Surveillance equipment, particularly CCTV, is the largest sector of the South African security market with a value between $85 and $165 million. Related technologies, such as data storage for graphic recordings and integrated security products, are seeing a commensurate increase and represent a major opportunity, as they are underrepresented by existing local security firms.

Another sector with an expected high level of growth for surveillance equipment is correctional services. The expansion of the prison system in South Africa, as a result of the growth in crime, has prompted the Department of Correctional Services to look at alternative methods of design that will achieve high security and prisoner control in environments that also meet international standards. U.S. solution providers are encouraged to look at the commercial and industrial side of the safety and security sector.

Best Products/Services

Return to top

The best prospects in this sector include:

- Integrated surveillance equipment,
- CCTV,
- Body armor and other protective armament, and
- Biometrics.

Opportunities

Return to top

- The Department of Correctional Services is planning for several new prisons. Security and integrated surveillance equipment are required for these facilities.
- Security equipment and integrated systems are being rolled out for sporting facilities nationwide in support of the 2010 World Cup Soccer tournament. Procurement for these systems is taking place on a decentralized basis by each manager for the stadium sites from a list of Local Organizing Committee (LOC) approved service providers
- Body armor and related SWAT equipment are required by South African Police due to the increased crime rates.
- Non-lethal firearm systems are being introduced due to the implementation of the rigorous Firearms Control Act in 2005.
- User-friendly emergency call systems have been piloted and accepted for the Provinces of Gauteng and the Western Cape; further roll-outs will follow across the country.

Resources Return to top

Exhibition and Conferences

SECUREX 2009
Fire, Safety and Security Show
Dates: June 30 - July 2, 2009
Venue: Sandton Convention Center
Website: www.securex.co.za

Key Contacts

The Security Association of South Africa
Website: www.sasecurity.org

Electronic Security Distributors Association (ESDA)
Website: http://www.esda.org.za/

For More Information

The U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at: Johan.vanRensburg@mail.doc.gov; Phone: +27-11-778-4815; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/

Pollution Control Equipment Return to top

Overview Return to top

	2006	2007	2008 (*Estimated*)
Total Market Size	68	74	82
Total Local Production	35	42	48
Total Exports	22	28	30
Total Imports	48	62	68
Imports from the U.S.	29	34	38

Note: All figures in US$ millions
Above figures are unofficial estimates obtained from industry sources.

2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05
2008 Rand/Dollar exchange rate: US$1 = R 8.00

Since 2006, three major issues have dominated the South African Government's environmental efforts:

- The implementation of the updated and stricter South African Air Quality Act,
- Regulation of the use of leaded gasoline, and

- Enforcement of regulations on management of hazardous waste materials (particularly asbestos).

The South African Air Quality Bill of 2005 places increased responsibility on heavy industries in South Africa to actively address emission issues. The South African Government plans to use technological advances to identify the main contributors to air pollution in South Africa, and to hold these industries and individual companies accountable for their emissions. Government officials have stated that South Africa will commit itself to reducing its greenhouse gas emissions by an average of 5.2 percent between 2008 and 2012, in line with Kyoto Protocol adopted in February 2005.

Hazardous waste management is also very topical, and the South African Government proposed far-reaching legislation on the banning of asbestos products and by-products in 2006. Active consultations are also being held on rehabilitation of asbestos and other hazardous waste dumping sites, including gold mine dumps and hydrocarbon waste cleanup.

Significant demographic pressure on water resources has led to increased attention being paid to water management systems, ranging from water supplies to filtration, recycling and pre-paid metering systems. Efforts by municipalities to address these matters are a cornerstone of meeting the basic needs of rural and peri-urban dwellers. At the same time, industrial water users are looking at the sustainable management of water.

Best Products/Services Return to top

The key sub-sectors that are featured in this report and offer the most opportunities for U.S. companies are:

- Air Pollution Control and Monitoring,
- Waste Water Recycling and Treatment Plants,
- Hazardous Material Containment and Management, and
- Residential Solid Waste Management Technology.

Opportunities Return to top

The Air Quality Act will ensure a well-defined need for large, South African industrial groups to implement emission management and monitoring equipment. There is a definite opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air-polluting industries in South Africa to reach their emission limitation targets as set by the South African Government.

Air Pollution Management Equipment

There is demand for monitoring technology to measure emission levels in different industrial zones, as well as technologies and equipment to control and reduce emissions.

Hazardous Waste Management

Opportunities for U.S. companies exists in treatment of hazardous waste sites, containing chemical and hydrocarbon spills and cleaning and rehabilitating asbestos and gold mine dumping sites. The South African Government proposed far-reaching legislation on the banning of asbestos products and by-products in 2006. Active consultations are currently being held on the rehabilitation of asbestos and other hazardous waste dumping sites. Assessment, management and remediation of contaminated land will also play an important role as a result of new waste legislation that is being considered.

The South African Government is also looking at a road freight management system that will monitor hazardous material shipments and end-use compliance.

Residential and Solid Waste Management

The implementation of so-called integrated waste management plans and policies by municipalities will create opportunities for U.S. suppliers of relevant products and services.

In the short and medium term, areas of opportunity exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities to manage their solid residential waste, including transformation into reusable by products, such as fertilizer.

Resources

Return to top

Exhibitions and Conferences

Afri-Water – Sustain
Water, Waste and Environmental Exhibition
Venue: Sandton Convention Center
Dates: August 19-21, 2009 (TBC)
Website: www.afriwater.co.za

Key Contacts

Department of Environmental Affairs and Tourism
Website: www.environment.gov.za

Department of Trade and Industry
Website: www.dti.gov.za

Department of Water Affairs and Forestry

Website: www.dwaf.gov.za

Water Research Commission
Website: www.wrc.org.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at: Johan.vanRensburg@mail.doc.gov; Phone: +27-11-778-4815; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/

Mining Equipment Return to top

Overview Return to top

	2006	2007	2008 (*Estimated*)
Total Market Size	82.	91	93
Total Local Production	55	59	60
Total Exports	12	15	130
Total Imports	32	45	39
Imports from the U.S.	9.7	11	10.

Note:
All figures in US$ millions.
Above figures are unofficial estimates obtained from industry sources.
Figures include exploration and extraction equipment, but exclude beneficiation and transportation equipment.

2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05
2008 Rand/Dollar exchange rate: US$1 = R 8.00

Since 2004, South Africa has seen an unprecedented increase in international and domestic demand and prices for its mineral commodities, driven principally by demand from China and supported by growth in India, Russia and a number of countries in the Far East and Europe. Raw and processed mineral-based products account for more than half the country's export revenues and about 54 percent of rail freight.

Since the start of the recent commodities boom, South Africa's mineral revenues have increased, mainly as a result of rising prices. However, production has not kept pace with demand. Another factor inhibiting production is an electricity rationing system implemented in 2008 which has forced miners to close operations for days or limited the hours of operation. Further, mainly due to the uncertainties surrounding the new mining and BEE (Black Economic Empowerment) regulations, investment in exploration and production has lagged behind that of competitors, delaying an increase in output. Between 2003 and 2006, South African exploration expenditures increased by 60 percent (mainly for platinum) while the global average increase was 120 percent. Capital investment actually decreased by 33 percent while that in other mineral producing countries increased.

In 2005-2007, South Africa was the world's largest producer of PGM's (Platinum Group Metals), chromium, ferrochrome, vanadium, manganese, and vermiculite). The industry was also a major supplier of gold (world rank third), aluminum (world rank eighth), antimony (third), coal (sixth), ferromanganese (third), fluorspar (third), iron ore (ninth), nickel (11th), silicon (seventh), titanium minerals (second), uranium (ninth), zirconium (second), and alumina silicates (second) as well as approximately 50 other minerals.

The total value of approved mining industry capital projects for 2004-2008 was $14.12 billion. Much of this investment is aimed not only at increasing extractive capacities and beneficiation, but also at bulk material handling.

Since the mid-2008 crash of commodity prices, there has been a severe cutback in investment, project planning and employment in the South African mining sector. The short- term prospects for any redress in this very unexpected development have dimmed. The early 2008 plans of the mining industry to commit in the short term some $20 billion to increase outputs of gold, platinum, coal, iron ore, uranium, nickel, ferro-alloys, titanium and diamonds, among others, seem very unlikely.

Best Products/Services Return to top

The South African mining industry is a well-developed and sophisticated sector. Many local equipment and service providers as well as organized events exist to facilitate the distribution of foreign goods or services.

U.S. goods and services in the following fields are well represented in South Africa (although Europe is the largest source region of foreign mining equipment):

- Software
- Furnaces
- Drill rigs
- Automated controls
- Mining processing
- GPS mapping
- Communications systems
- Materials handling technology

Mining safety has been a controversial issue in the recent past, with 200 deaths in 2007, and in 2008, mining executives has pushed this issue to the forefront of operational considerations. Technology and training systems to increase safety in this sector are seen by all stakeholders as being imperative.

Opportunities Return to top

Mining and related projects have traditionally been responsible for significant infrastructure development. For example, 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports are high on the agenda for both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals.

Significant infrastructure investments include:

- Saldanha Bay iron and steel ore bulk export hub;
- Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape, the creation of a chorine plant, as well as an aluminum/steel smelter;
- A planned 65-mile slurry pipeline to the Majuba coal station, as well as a bulk coal handling systems from the Waterberg coalfields for the Groot Geluk power station; and
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.

The Export-Import Bank of the United States and U.S. Trade Development Agency have added considerable value to numerous African mining operations and enhanced opportunities for U.S. businesses. (See Chapter 7: Trade and Project Financing, for additional information on these agencies.)

Resources Return to top

Exhibitions and Conferences

ElectraMining 2010
Product groups: International and local suppliers of equipment and services for the mining, power generation and electrical industries
Date: September, 2010 (dates TBC)
Location: Expo Centre, Nasrec, Johannesburg
Website: http://www.electramining.co.za

Key Contacts

GeoAfrica
Website: www.geoafrica.co.za

Mining Weekly Publication
Website: www.miningweekly.co.za

South African Chamber of Mines
Website: www.bullion.org.za

Council for Geoscience
Tel: + 27 (0)12 841 1193
Fax: +27 (0)12 841 1424
Website: www.geoscience.org.za

Mintek
Website: www.mintek.co.za

Safety in Mines Research Advisory Committee (SIMRAC)
Website: http://www.dst.gov.za/s-t-landscape/S-T%20Funding%20Agencies/SIMRAC

For More Information

The U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at: Johan.vanRensburg@mail.doc.gov; Phone: +27-11-778-4815; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/

Information Technology

Return to top

Overview

Return to top

Approximately 6000 companies are active in the Information Technology (IT) sector in South Africa. About two-thirds of these are located in the Gauteng province.

While South Africa is a technologically advanced country offering excellent communications infrastructure, it has a mixture of first-world and third-world technologies. While major cities such as Johannesburg, Cape Town and Durban enjoy high-tech infrastructure, a large part of the population living in rural areas still lack basic communications. Despite this disadvantage, South Africa remains the economic powerhouse for the rest of sub-Saharan Africa and has developed a well-deserved reputation as the “gateway” to other African markets.

ICT is widely recognized as a significant strategic industry, a key driver of economic growth and wealth creation, and an important enabler to improve quality of life. This has led to a high-level provincial government commitment to establish a strong and vibrant capacity in ICT and electronic innovation.

Although there has been significant progress, market growth has also been inhibited in the past by the country’s skills shortage and the high cost of bandwidth. While the skills shortage continues, there is hope that the overall cost of telecommunications will improve with the demise of Telkom’s monopoly and a number of new cable projects like Seacom which comes online in June 2009. Even under these conditions, the ICT sector achieved an average annual growth of more than 10 percent over the past decade, well above the growth rate realized by the global economy as a whole.

According to BMI-Technknowledge (BMI), the total size of the South Africa IT market is expected to increase from US$8 billion in 2007 to around US$11.6 billion in 2012. IT spending CAGR is expected to be around eight percent.

A number of major initiatives by the central and provincial governments should drive spending and offer opportunities for U.S. vendors in most sectors. However, it must be noted that opportunities for multinational vendors are complicated by Black Economic Empowerment (BEE) requirements and, in most cases, U.S. companies will require local BEE- compliant partners to respond to government tenders. All government procurement is driven by the State Information Technology Agency (SITA) and tenders range from financial systems to healthcare.

While government remains the single largest consumer of ICT, opportunities exist in other applications such as healthcare, telecoms and banking. Although South African financial institutions are also under pressure in the current economic climate, they still need to respond to government regulations on money laundering and other governance requirements which require ongoing investment in IT infrastructure.

Market Trends and Opportunities

Return to top

South Africa has a well developed and competitive IT market, but is open to innovative IT products and welcomes new products and foreign investments. In 2007, a market survey by Frost & Sullivan reported that the local IT infrastructure outsourcing market earned revenues of between $2.78 billion and $3.5 billion in 2006, and estimated that this will reach $5.6 billion in 2012.

SA's IT infrastructure outsourcing market is expanding at a robust rate due to sustained economic growth, although the market is expected to experience some consolidation over the next five years. Key players are increasing their services offerings and areas of expertise through targeted and strategic acquisitions of service providers.

Hardware: While the hardware sector continues to dominate the industry, growth is likely to slacken, whereas IT services represent a faster growing segment of the market. It is anticipated that demand for business process outsourcing will continue to grow, driven by the need of large enterprises to manage cost factors and focus on core competencies. The Government also recently stated its determination to improve South Africa's capabilities in the BPO area.

Software: South Africa's software market is maturing and is expected to grow to around US$1.6 billion in 2008 and have a CAGR of around nine percent from 2007 to 2012. Proprietary software vendors, particularly Microsoft, are introducing lower-priced 'streamlined' software to drive lower-cost computing, in response to demand for "open-source software by the government.

IT Services: The IT services market was estimated at slightly more than US$2.9 billion in 2007 with a forecast CAGR of eight percent for the 2007-2012 period. South Africa is gaining popularity as a global outsourcing destination, and is creating opportunities for IT vendors and attracting new investments. The call center industry in South Africa may create over 100,000 jobs by 2010 and, with the improving costs in telecommunications customers, this target may be exceeded.

E-Readiness: Although Internet penetration in South Africa is by far the highest on the continent with around seven million users, or around 16 percent of the population, growth has been hindered by high telecommunications and the lack of broadband. The situation should improve with the deregulation of the telecommunication sector and the effects of the new cable projects.

The South African market has typically been solutions-driven rather than product-driven, and the country is not a candidate for quick and cheap access to computing, being extremely averse to the “dumping” of aged technology. Furthermore, local companies want to be assured that international companies and/or potential partners are able to work to their specific needs and requirements. Equally, it is important to understand that Black Economic Empowerment policies have and will continue to have significant impact in terms of public and private procurement.

SA Software Industry
SWOT

Strengths
- Exhibit a “can-do” attitude towards innovation and development
- English is business and IT medium
- Strong links with other countries
- Still commands a cost advantage compared to developed markets
- Special skills in certain vertical industries
- Gateway to the rest of sub-Saharan Africa

Weaknesses
- Not generally known as a source in the global IT industry
- High cost of top level technical skill
- Persistently high cost of bandwidth
- Limited venture capital funding
- Fewer government incentives compared to other emerging market software producing countries

Opportunities
- High-level government negotiations to attract foreign investment into South Africa
- In-sourcing high-level systems development, systems integration, maintenance and support
- Exploring the possibility of using SA as a test bed for system integration/configuration for global customers

Threats
- Competition from other countries with a more coordinated effort e.g. government initiatives
- Volatile exchange rate

Source: Adapted from Savant Report 2006

Rescources and Key contacts [Return to top]

Trade Events:

Energy Solutions for Africa
Date: January 28-29, 2009
Venue: Sandton Convention Center, Johannesburg, South Africa
Website: www.energyafricaexpo.com

Green Building Conference 2009
Date: July 7-8, 2009
Venue: Sandton Convention Centre, Johannesburg, South Africa
Website: www.greenbuilding.co.za

ISES Solar World Congress 2009
Date: October 11-14, 2009
Venue: Sandton Convention Center, Johannesburg, South Africa
Website: www.swc2009.co.za

Specialized magazines focusing on IT:

Name:	Information Technologies
Publisher:	BMI-Technowledge
Frequency:	Annual
Contact:	Mark Walker, Director
Tel:	+27-11-803-7840
Fax:	+27-11-803-6412
E-mail:	mark@bmi-t.co.za

Name:	African Communications
Publisher:	Highbury Monarch Communications
Frequency:	Bi-monthly
Contact:	Ms. Anita Perks
Tel:	+27-21-416-0141
Fax:	+27-21-421-1250
E-mail:	anita@hfm.co.za

Associations:

CSSA (Computer Society of South Africa)
Website: www.cssa.org.za

Internet Service Providers' Association (ISSA) (145 members)
Website: www.ispa.org.za

Information Technology Association (ITA)
Website: www.ita.org.za

SA Institute of Intellectual Property Law
Website: www.saiipl.org.za

Chambers of Commerce

American Chamber of Commerce (AMCHAM)
Website: www.amcham.co.za

SA Chamber of Commerce and Industry (SACCI):
Website: www.sacci.org.za/

For More Information

The U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at: Miranda.Isaakidis@mail.doc.gov; Phone: +27-11-778-4811; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/.

Agricultural Sector Return to top

The Republic of South Africa (RSA) has a market-oriented economy and is a net exporter of agricultural products. It has a highly diversified agribusiness sector and is self-sufficient in primary foods with the exception of wheat, oilseeds and rice. The agricultural sector is competitive in many products, particularly horticultural products such as wine, fresh fruits, and vegetables.

South Africa's imports of agricultural, fish and forestry products grew by 25.6 percent from FY 2007, and reached $5.7 billion in FY2008. South Africa's imports of agricultural, fish and forestry products doubled since FY2004 when it was only $2.8 billion. Imports of agricultural, fish and forestry products represent six percent of total merchandise imports by South Africa.

The seven most important agro-food imported products in FY2008 by South Africa were rice ($474.2 million), wheat ($448.7 million), soybeans oil ($312.4 million), palm oil ($294.2 million), soybean cake ($277.5 million), poultry meat ($203.2 million) and whisky ($202.6 million). Argentina is South Africa's largest supplier of agro-food products followed by Brazil, the United States, Malaysia, and Thailand.

South Africa's imports of agricultural, fish and forestry products from the United States were valued at $384.5 million in FY2008. This represents a 44.0 percent increase from the previous year. Imports of agricultural, fish and forestry products from the United States have grown by 55.3 percent since FY2004. The three major agricultural products imported from the United States by South Africa are wheat ($140.3 million), prepared food ($32.4 million), and whisky ($22.6 million).

Intermediate agricultural products such as planting seeds are also an important export for South Africa, and animal fats have also shown consistent and substantial growth over the past five years. A variety of high-value products such as almonds, cultivated ginseng root, canned salmon, Kentucky bourbon, frozen food preparations, and sauces have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than 50 reports each year on the agricultural situation by commodity sector in South Africa. Some reports highlight opportunities for U.S. farm exports. For U.S. exporters of agricultural products, please start with the Exporter Guide for South Africa (GAIN# SF4030) at http://www.fas.usda.gov/gainfiles/200408/146107213.pdf

For other sector reports, please look at "Attaché reports" off the main FAS website: www.fas.usda.gov

If you are an exporter of U.S. agricultural products, please feel free to contact the Foreign Agricultural Service in Pretoria for further information at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Tel: +27 (0)12 431 4235; Fax: +27 (0)12 342 2264
Email: agpretoria@usda.gov

Overview: Grains Return to top

Market development opportunities in the over 40 countries of sub-Saharan Africa pose many challenges to a grain exporter. The market is small; the end users are often widespread. Regional political instability and the lack of infrastructure hinder market development, and the sheer number of countries means that it is difficult to craft a uniform strategy for market development in the region. However, South Africa is the dominant economic engine of the South African Development Community (SADC), which is comprised of 14 countries in the southern Africa region.

South African Grain Market			
Value in million Dollars	FY 2006	FY 2007	FY 2008
Total Local Production	10.1 million tons	9.3 million ton	14.3 million ton
Total Exports	$267.8	$46.8	$458.2
Total Imports	$494.3	$629.4	1,058.3
Imports from the U.S.	$20.2	$80.1	$151.5

Note:
All figures for Total Exports, Total Imports and Imports from the U.S. in US$ Million. Above figures are from the World Trade Atlas.

Food prices are sensitive in South Africa and have become a political issue. For this reason, import tariffs are generally very low. Corn is the staple food, but it is in good supply, and very little is imported.

The South African grain supply and demand situation changes weekly. For the most accurate up-to-date information, please read one of FAS/Pretoria's South African Grain and Feed reports, which are updated monthly at: http://www.fas.usda.gov.

Best Product: Wheat
Return to top

South Africa is a net importer of wheat. Local production is less than two million tons while annual wheat consumption is about 2.8 million metric tons (MMT), or about 60 kilograms per capita, the highest in the sub-Saharan region. Its population is growing by 1.7 percent annually, and there is a rapid urbanization of South Africa's major cities.

Wheat Trade				
	FY 2005	FY 2006	FY 2007	FY 2008
Exports	7.0	1.31	12.8	131.6
Imports	194.0	165.3	189.9	448.7
Imports from the USA	58.0	15.3	72.1	140.3

Note:
All figures in US$ Million.

South Africa, with a population of 44 million people, is a growing market and has one of the largest economies in Africa. With wheat consumption exceeding production, wheat imports of at least 700,000 MT per year are needed for domestic use, in addition to the wheat imported through the SA transport system for its neighbors.

Opportunities
Return to top

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat at: http://www.uswheat.org/.

Resources
Return to top

U.S. Wheat Associates has an office in Cape Town South Africa and is happy to help any company interested in purchasing or exporting U.S. wheat. They can be contacted at http://InfoCapeTown@uswheat.org/

Return to table of contents

Overview: Hides and Skins
Return to top

Hides and skins			
	FY 2006	FY 2007	FY 2008
Total Local Production	3.5 million hides	3.5 million hides	3.5 million hides
Total Exports	$178.9	$216.2	$190.6
Total Imports	$89.1	$117.0	$113.3
Imports from the U.S.	$0.5	$0.2	$0.2

Note:
All figures, except for local production, is in US$ Million
Above figures are from World Trade Atlas

Many automobile companies (Ford, GM, Volkswagen, BMW, and Daimler-Chrysler, to name a few) have production plants in South Africa and are major consumers of leather. Leather car seats for BMW and Mercedes Benz are also produced for export.

Best Product: Cattle Hides Return to top

Opportunities Return to top

There are opportunities to supply high-quality raw cattle hides for processing into leather for seats and car interiors.

Resources Return to top

Contact the FAS office in Pretoria for assistance exporting to South Africa at: AgPretoria@fas.usda.gov.

Overview: Dairy and dairy products Return to top

South Africa's imports of dairy and dairy products increased by more than 188 percent since FY2000. This increase in imports was mainly due to a strong local demand for dairy and dairy products and structural problems in the local dairy industry that hinder expansion.

Dairy and dairy products			
	FY 2006	FY 2007	FY 2008
Total Local Production	2.4 billion liters	2.5 billion liters	2.4 billion liters
Total Exports	$31.1	$30.4	$46.7
Total Imports	$70.6	$100.5	$114.0
Imports from the U.S.	$1.7	$0.8	$13.7

Note:
All figures, except for local production, in US$ Million
Above figures are from World Trade Atlas

Best Product: Cheese and Whey Return to top

South Africa's imports of cheese and whey have increased by more than 200 percent and 400 percent, respectively, since 2000.

Cheese			
	FY 2006	FY 2007	FY 2008
Total Exports	$3.8	$4.1	$5.5
Total Imports	$19.4	$23.7	$29.5
Imports from the U.S.	$0.03	$0.5	$1.1

Whey			
	FY 2006	FY 2007	FY 2008
Total Exports	$1.0	$2.4	$1.4
Total Imports	$13.8	$12.0	$24.3
Imports from the U.S.	$0.3	$0.1	$1.2

Note:
All figures, except for local production, in US$ Million

Resources Return to top

Contact the FAS office in Pretoria for assistance exporting to South Africa at: AgPretoria@usda.gov.

Overview: Seeds Return to top

South Africa sources seed from other countries to replicate and multiply before exporting. South African seed growers import grass seeds (for golf courses), followed by forage plants, vegetables and alfalfa. The United States is South Africa's major seed supplier for herbaceous plants, Lucerne, rye grass, flower seeds, vegetables, sugar beets, Kentucky blue grass, beet seed (not sugar), clover, and fescue seed.

In 2008, the South African seed industry had a turnover of more than $323 million. Genetically modified seed of cotton accounted for approximately 81 percent of local cottonseed sales, and about 78 percent and 42 percent for genetically modified soybean and maize seed, respectively. The demand for hybrid seed obtained through conventional breeding is still the main driving force on most markets, while the market for open-pollinated cultivated varieties was limited to mainly Sub-Saharan Africa.

The South African Seed Association (SANSOR) (www.sansor.co.za) is encouraging the government to rewrite the quality regulations for imported grains. SANSOR would like an increase in kernel size in order to eliminate undesirable small kernels.

	FY 2006	FY 2007	FY 2008
Total Exports	$63.4	$65.3	$176.9
Total Imports	$54.2	$113.2	$92.4
Imports from the U.S.	$7.3	$6.9	$25.7

Note:
All figures in US$ Million.
Above figures are from South African Revenue Service.

Best Products Return to top

The South African seed market for agronomic crops such as winter and summer grain crops made up 78 percent of total seed sales in the 2007-08. Seed for horticultural crops made up 16 percent of total sales while seed for forage and pasture crops was 8 percent of total seed sales.

Opportunities Return to top

Many American companies sell seeds in South Africa and/or license their seed technology to South African seed companies, several of which have wide distribution across Africa. Opportunities for seed sales range across many product sectors such as cotton, grain, grass, oilseeds, and vegetables. The South African Government approves certain biotech events, and farmers are growing biotech cotton, corn, and soybean varieties.

Resources

Return to top

If you are interested in exporting U.S. planting seeds to South Africa, please take a look at the South African National Seed Organization website at: www.sansor.co.za, also, you may want to take a look at the FAS/Pretoria annual planting seed report which is updated annually on the FAS website: www.fas.usda.gov (click on "attaché reports" then select planting seed for South Africa.

For any further questions, please contact the FAS office at: AgPretoria@usda.gov

Overview: Wood Products

Return to top

	FY 2006	FY 2007	FY 2008
Total Exports	$440.1	$392.7	$397.4
Total Imports	$333.2	$369.2	$395.5
Imports from the U.S.	$19.4	$21.3	$18.1

Note:
All figures in US$ Million
Above figures are from World Trade Atlas
Above Figures are from World Trade Atlas

Best Product: Wine Barrels, and Staves for Barrels

Return to top

Import data shows that South African imports of wine barrels have increased over the past three years. As South Africa does not produce white oak, it must import all of its wine barrels and staves. Wine producers currently have a preference for French oak barrels, but that preference is based solely on perception. With a little marketing effort, there is no reason why an American exporter could not capture this market share.

	FY 2006	FY 2007	FY 2008
France	$18.6	$20.4	$25.7
United States	$1.1	$1.7	$1.5
Australia	$0.9	$0.7	$0.9
The World	$22.2	$24.1	$29.4

Note:
All figures in US$ Million
Above figures are from the South African Revenue Service

Currently, 110,200 hectares of vines producing wine grapes are under cultivation in South Africa over an area some 800 kilometers in length. White varieties constitute 55 percent of the plantings for wine, with Chenin Blanc plantings comprising 20 percent of the total. Red varieties account for 45 percent of the national vineyard. The most widely planted red variety is Cabernet Sauvignon, accounting for 15 percent of the total. Shiraz now accounts for nine percent, while Pinotage, which is indigenous to South Africa, and Merlot each represent seven percent.

Opportunities
Return to top

Market research shows that winemakers may remain loyal to a particular oak stave manufacturer in order to maintain product consistency. Therefore, it might be wise to link up with a winemaker that is expanding production and establishing new wine labels.

Resources
Return to top

The South Africa Wine Association can put oak stave manufacturers in touch with wine producers. Please look at the website at www.wosa.co.za for more information.

Overview: Almonds
Return to top

Since South Africa does not produce almonds, it must import to meet its needs.

Best Product: Almonds
Return to top

	FY 2006	FY 2007	FY 2008
Total Local Production	None	None	None
Total Exports	0	0	0
Total Imports	$9.2	$9.3	$6.6
Imports from the U.S.	$8.0	$8.6	$6.1

Note:
All figures for Total Exports, Total Imports and Imports from the U.S. in US$ millions.
Above figures are from World Trade Atlas

The United States is South Africa's major source of almonds with a market share of over 90 percent.

Opportunities
Return to top

The South African baking industry uses almonds in a similar way as the U.S. baking industry.

Resources
Return to top

Contact the South African Chamber of Baking at www.sacb.co.za.

Overview: Distilled Spirits

Over the last few years, a wide range of new imported products has become available in the market. South African tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of products on retail shelves. Traditionally, the South African distilled spirits consumer has preferred Scotch whisky and brandy. Recent trends indicate that consumers are turning to new and innovative distilled spirits. Openness to new products and increasing disposable income help create a positive climate for the sale and promotion of U.S. distilled spirits. However, price sensitivity, rather than brand loyalties, rules the consumer's purchasing behavior. Since the per capita GDP of the South African consumer is $2,520, imported American distilled spirits will probably appeal mainly to the high-end consumer who can afford higher-end distilled spirits.

Assisted by the relatively strong rand against the dollar, the South African appetite for American spirits has grown over the last three years. U.S. exports of distilled spirits to South Africa increased from $5.7 million in FY2003 to $13.5 million in FY2004 and to $41.3 million in FY2005 to $45.0 million in FY2006.

Distilled Spirits

	FY 2006	FY 2007	FY 2008
Total Exports	$45.0	$57.9	$68.4
Total Imports	$193.1	$256.9	$248.5
Imports from the U.S.	$28.3	$31.4	$25.4

Note:
All figures in US$ millions.
Above figures are from World Trade Atlas.

Best Products: Bourbon Return to top

In FY 2008, the U.K. held a 77 percent share of the whisky market in South Africa, while the United States held a 12 percent share. Nonetheless, the United States share showed constant growth since FY2000 when it was only five percent. This growth may be due, in part, to a South African preference for successfully promoted American branded bourbon. This preference should help other American products be more competitive in South Africa and lead to the growth of other American-branded, high-value distilled spirits. Distilled spirit marketers might wish to target the expanding black middle and upper classes since this group likely has fewer loyalties to the competition, Scotch and brandy.

Bourbon

	FY 2006	FY 2007	FY 2008
Total Exports	$7.7	$10.1	$10.6
Total Imports	$158.2	$212.4	$202.6
Imports from the U.S.	$26.4	$28.5	$22.6

Note:
All figures in US$ millions
Above figures are from World Trade Atlas

Resources Return to top

The Distilled Spirits Council of the United States (DISCUS) can help U.S. distillers with market information and advice on how to export to South Africa (http://www.discus.org/).

Overview: Seafood

Return to top

South Africa imported fish and seafood products worth $90 million in FY06. This mainly consisted of crustaceans, ($39 million, lobster from Mozambique); other seafood (squid), ($15 million), and fish meat ($40 million). Although small, imports of fish and seafood products from the United States have almost doubled over the past two years from $2.4 million in FY2005 to $4.3 million in FY2006.

Fish and seafood products require import permits to be imported into South Africa. Import Licensing is handled by the Director of Imports and Exports Control of the following Departments: Department of Agriculture, Directorate of Veterinary Services; Department of Health, Directorate of Food Control; South African Bureau of Standards; and South African Health Officials, commonly known as Port Health Officers. It is easiest to let experienced South African seafood buyers make the necessary arrangements to secure these import permits.

	FY 2006	FY2007	FY2008
Total Exports	$376.6	$444.9	$483.9
Total Imports	$90.0	$110.7	$113.8
Imports from the U.S.	$4.3	$4.8	$9.7

Note:
All figures in US$ millions
Above figures are from Global Trade Atlas and BMI Food Pack

Best Product: Canned Salmon & other specialty fish

Return to top

South Africa is a net exporter of seafood, but canned salmon imports have been increasing. This trend is expected to continue. South Africa is following worldwide trends and is moving away from the consumption of red meat in favor of fish and poultry.

Local production is insufficient to meet the demand for products such as shrimp and prawns, tuna, horse-mackerel, snoek, and pilchards.

Opportunities

Return to top

While canned tuna and pilchard have been traditional favorites, canned salmon is in increasing demand. The United States enjoys a dominant position in the canned salmon market with a market share of 88 percent, followed by the United Kingdom and South Korea each have four percent, followed by China (three percent), and Canada (one percent). For shrimp and prawns, horse-mackerel and snoek, demand is for frozen products.

Resources Return to top

FAS Pretoria can put potential exporters of U.S. seafood products in touch with canned salmon and other seafood importers. Please email us at: AgPretoria@usda.gov

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

Return to top

As a result of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20 percent to 5.8 percent. Notwithstanding these reforms, importers have complained that the tariff schedule remains unduly complex, with nearly forty different rates. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher (e.g. most apparel items).

Nearly all of South Africa's specific and composite duties were converted to *ad valorem* rates (a tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied), with a few exceptions remaining in a limited number of sectors, including textile and apparel products. In the Uruguay Round, South Africa agreed to a twelve-year phase-down process. The end rate for apparel is 40 percent, yarns, 15 percent; fabrics, 22 percent; finished goods, 30 percent; and fibers, 7.5 percent. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34 percent, while the rate of duty on original motor parts is 20 percent.

The dutiable value of goods imported into South Africa is calculated on the f.o.b. (free on board) price in the country of export, in accordance with the GATT Customs Valuation Code. The value for customs duty purposes is the transaction value, or the price actually paid or payable. In cases where the transaction value cannot be determined, the price actually paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is regarded as the transaction value. If more than one transaction value is determined, the lowest value applies. Alternatively, a computed value may be used based on production costs of the imported goods. In the case of related buyers and sellers, the transaction value will be accepted if, in the opinion of the Commissioner for Customs, the relationship does not influence the price, or if the importer shows that the transaction value approximates the value of identical or similar goods imported at or about the same time.

Dutiable weight for the assessment of specific duties is the legal weight of merchandise, plus the weight of the immediate container in which the product is sold, unless specified otherwise in the tariff.

The value-added tax (VAT) is 14 percent. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered trades may be exempt from VAT.

Specific excise duties are levied on tobacco, tobacco products, and petroleum products. Duties on alcoholic beverages are set at fixed percentages of the retail prices. Ad valorem excise duties are levied on a range of "up market" consumer goods. The statutory rate is currently ten percent (except that most office machinery, as well as motorcycles, that have a duty of five percent). Various provisions for rebate of duty exist for specific materials used in domestic manufacturing. The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission of South Africa's website at: www.itac.org.za

Trade Barriers

Return to top

U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Other barriers to trade often cited include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, an inefficient bureaucracy, and excessive regulation. For additional information on trade barriers for the Southern Africa Customs Union that includes South Africa, please see the National Trade Estimate Report on Foreign Trade Barriers published by the Office of the U.S. Trade Representative at: http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html.

In a 2008 ruling, the South African Supreme Court of Appeal upheld rulings by the Competition Tribunal in favor of local soda ash producers and against the American Natural Soda Ash Company (ANSAC). According to the court ruling, ANSAC admitted that its membership agreement eliminates price competition between its members in export sales to South Africa. ANSAC has agreed to pay an administrative penalty and cease exports to South Africa. The agreement does, however, allow the constituent members of ANSAC to continue trading in South Africa. While the penalty and market size is negligible for ANSAC, this may constitute a possible international precedent in relation to price fixing. South Africa is the only developing country that has effective prohibited ANSAC.

The International Trade Administration Commission (ITAC) is tasked with administering South African trade laws and therefore receives requests for tariff protection from a number of local industries. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website at: www.itac.org.za.

Import Requirements and Documentation

Return to top

South Africa has a complex import process. The South African Revenue Service (SARS) defines approximately 90,000 product tariff codes that are strictly enforced on all imports. New-to-Market U.S. exporters are actively encouraged to engage the services of a reputable freight forwarding / customs clearance agent well versed in South African convention.

Customs South Africa (Customs SA), a division of SARS, requires that an importer register with its office and obtain an importer's code from SARS. This impacts many importers and may cause delays to clearance of goods.

SARS uses a Single Administrative Document (SAD) to facilitate the customs clearance of goods for importers, exporters and cross-border traders. The SAD is a multi-purpose goods declaration form covering imports, exports, cross border and transit movements. The following is required for shipments to South Africa:

- For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
- A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to anti-dumping or countervailing duty. DA59 is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
- Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African Customs to determine value for duty purposes. Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
- One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.
- Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

To reduce the likelihood of a dutiable assessment of samples, the shipper must state the following:

Sample: Of no commercial value / Value for customs purposes is USD xxx

Zero-value invoices are not accepted by South African customs authorities: the correct value must be stated of the shipment in question.

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. The permit is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued. Import permits are valid only for the calendar year in which they are issued.

Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the Department of Trade and Industry. These categories have been reduced, but still obtain for most used / second-hand items.

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X753
Pretoria, 0001
Tel: +27 (0)12 394 3590/1; Fax: +27 (0)12 394 0517
Website: www.itac.org.za

An exhaustive SARS import manual appears here:

http://www.sars.gov.za/uploads/images/4799_SC-CF-08_-_MANUAL_FOR_COMPLETION_OF_SAD_DECL_IMPORTATION_-_EXTERNAL_-_REV__3_-_2008[1].11.13.pdf

U.S. Export Controls

Return to top

South Africa is a party to the Wassenaar Arrangement. South African "listed" items are those that appear on the Department of Commerce Control List. These require a license to be exported to South Africa based on the Export Control Classification Number and the Country Chart. These items are detailed on the following U.S. Department of Commerce's Bureau of Industry and Security website:
www.gpo.gov/bis/ear/ear_data.html

The Country Chart, which includes South Africa, is in Part 738. The Commerce Control List is in Part 774; there are ten categories that can be pulled up as separate files.

Temporary Entry

Return to top

South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services.

1. Carnet Entry (also known as ATA Carnet)

South Africa is a member of the ATA Convention (see: http://www.atacarnet.com/ata-carnet-info.htm).

Typically, the following goods are eligible to qualify for carnet entry:

1. Commercial samples,
2. Goods for international fairs and exhibitions, and
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

The exporter must provide a letter stating that the exporter/carnet holder authorizes the customs clearance agent to clear the shipment on its behalf and may deliver to the consignee addressed therein. This letter from the carnet holder is to accompany the carnet document. SARS will not process carnet clearance without this letter. No duty or VAT is payable on carnet shipments. The same carnet is used on export.

2. Temporary Entry

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that a shipment is only intended to remain in South Africa for a limited period of time. The customs clearance process will include a "Provisional Payment" (PP) that is valid for a period of six months; and the shipment must be exported within this time. If export is to take longer, a formal extension request must be submitted to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired.

Upon import, the serial numbers of all the goods must be indicated on the documentation (i.e., invoices from shipper). Customs will examine the shipment and will verify the serial numbers and endorse the documentation. Upon export, the same procedure is followed so as to verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, this PP is then liquidated by means of submitting the import and export documentation and requesting the refund.

3. Repair and Return Entry

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that the shipment in question is for repairs, or a return shipment for repairs performed in the United States. When the product is exported, the serial numbers are to be stated on invoices; examination will be done by SARS. When imported, serial numbers are to be stated on invoices, with the examination to be done by SARS. No duty is payable as duty was paid on the first import into the country. However, VAT is payable on repair costs only, even though value of goods is declared to SARS as well.

The above is in accordance with SARS rebate item 409.04. In order to make use of this rebate item, the importer must comply with the following provisions.

1. Goods are to be returned to original exporter and there is no change of ownership;

   The essential characteristics of product remain the same. There are no alterations made to goods (i.e., just repairs). Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance.

2. The goods must be identifiable by the serial numbers on the goods.

If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported). The full value, which consists of the export value plus any cost of repair, must be declared.

If the goods are repaired under warranty, the cost of repair will not be dutiable, provided the importer can prove the following:

1. The duty was paid on first importation of the goods in question (again by use of serial numbers);
2. The warranty is in force at time of re-importation;
3. All criteria in terms of rebate item 409.04 are complied with; and
4. That warranty agreement is available for Customs if requested.

Labeling and Marking Requirements Return to top

South Africa has a well-developed regulatory standards regime that oversees the labeling and marking requirements.

The South African Bureau of Standards (SABS, an agency of the Department of Trade and Industry, or DTI) and its accredited divisions and agents, is the national standards, homologation and accreditation authority. SABS oversees labeling and marking in the following categories:

- Chemicals
- Electro-technical
- Food and Health
- Mechanical and Materials
- Mining and Minerals
- Services
- Transportation.

A detailed listing of the relevant technical specifications by product is given at http://www.sabs.co.za/ (see Commercial Services).

SABS is responsible for the issuing of LOA's (Letter of Authorities), i.e., the control documentation on the importation of several items where certain standards must be met. Imports into South Africa must comply with the specifications for a given product or the relevant application. If an imported product does not bear a quality or standards specification marking, the importer will finally be liable for the quality of the product.

Established importers will therefore want to divest themselves of this liability by ensuring the product under discussion complies with the pertinent specifications and bears the relevant standards marking.

The marking and labeling often revolve around the categories listed above to ensure consumer and environmental protection. Often the importer will insist that the foreign manufacturer affix these ex-works. Only in exceptional cases will the importer, wholesaler or retailer at the bulk break stage be prepared to affix these labels and markings. Labeling and marking requirements pertain mainly to textiles, shoes and bags, where a permanent label identifying the manufacturer and country of origin must be displayed. This process is administered by ITAC.

It is common practice for retailers to insist that imported technical goods carry safety instructions or other user guides in the English language. Pictures and/or diagrams often supplement English user instructions. While liability laws and conventions in South Africa are not as onerous as in the United States, the retailer, wholesaler and importer are all desirous to reduce their liability to a minimum. South African legal practice follows the precepts of English Commercial Law, as well as Roman Dutch civil law.

It is also common for the user to indicate details of the official South African service agent for the product, and, less often, the importer of the product. This user instruction will also indicate the information about the South African warranty.

Prohibited and Restricted Imports

Return to top

The importation of the following goods into South Africa is prohibited:

- Narcotic and habit-forming drugs in any form;
- Fully automatic, military and unnumbered weapons, explosives and fireworks;
- Poison and other toxic substances;
- Cigarettes with a mass of more than 2 kilograms per 1,000;
- Goods to which a trade description or trademark is applied in contravention of any Act, (for example, counterfeit goods);
- Unlawful reproductions of any works subject to copyright; and
- Prison-made and penitentiary-made goods.

Each year, the Department of Trade and Industry (DTI) publishes a list of goods requiring import permits in an annual Import Control Program, which covers imports from any country. The Directorate of Import and Export Control of the DTI administers the issuance of permits, though for some imports, additional and prior authorization may be required from other departments.

By notice in the Government Gazette, the Minister of Trade and Industry may prescribe that goods of a specified class or kind may not be imported into South Africa, except under the authority of, and in accordance with, the conditions stated in a permit issued by ITAC. The main categories of controlled imports are as follows:

- Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods.

While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe;

- Waste, scrap, ashes, and residues: The objective of import controls on these goods is to protect human health and the environment under the Basel Convention;

- Other harmful substances: Imports of substances such as ozone-depleting chemicals under the Montreal Convention and chemicals used in illegal drug manufacturing under the 1988 United Nations Convention are controlled for environmental, health, and social reasons; and

- Goods subject to quality specifications: This restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

A phytosanitary certificate is required for the importation of lard, bacon, ham, hides and skins, animal hair and bristles, and honey products. These certificates are issued by the Department of Agriculture. Other products that require import permits include fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

Customs Regulations and Contact Information

Return to top

The South African Revenue Service (SARS), a division of the Department of Finance/Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013
Website: http://www.sars.gov.za/

Standards

Return to top

Overview

Return to top

The South African Bureau of Standards (SABS) is a specialized South African statutory agency responsible for the promotion and maintenance of standardization and quality relating to commodities and the rendering of services. Its tasks include:

- Publishing national standards,
- Testing and certifying products and services to standards,
- Developing technical regulations (compulsory specifications),
- Monitoring and enforcing of legal metrology legislation,
- Promoting design excellence, and
- Providing training on aspects of standardization.

SABS is accredited nationally by the South African Accreditation System (SANAS), and is recognized internationally by Netherlands-based Raad voor Accreditatie (RvA). SABS belongs to both the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). Accordingly, it issues pharmaceutical and industrial standards that conform to those of the ISO.

All SABS standards are in the process of being renamed as South African National Standards (SANS). This change is being carried out to make the numbering system simpler and easier to understand. The conversion is likely to be lengthy and will extend into 2009.

SABS follows the standards of the ISO, the IEC and the European Committee for Standardization (CEN), and does not automatically recognize the standards of the United States. British Industry Standards and the Deutsche Industrienorm are favored in the SABS systems for historic and technical reasons. Products sourced from these countries enjoy quasi-automatic accreditation.

U.S. standards are not incorporated as standards in South Africa and are therefore reviewed on a case-by-case basis by the South African standards authorities. In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive sector is one exception that is receiving more attention.

Manufacturers have the option of paying SABS to test and approve their products. This option is rarely exercised. Though SABS possesses the right to terminate the sale of products if it receives enough complaints, there have been very few cases of this happening.

The standards issued by the SABS are in accordance with the Environmental Conservation Act and are enforced on all imports and exports. All foreign companies establishing themselves in South Africa need to have their Environmental Management System (EMS) certified. This certification needs to be updated every year in order to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture (http://www.nda.agric.za) is responsible for setting standards for certain agricultural and agricultural-related products. These standards cover aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses.

The Standards Act 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory standards. At the end of 2007, only 53 of SABS's approximately 5,000 standards were actually mandatory. However, depending on the laws, other standards may be considered compulsory as well (i.e., electricity standards) and it may create uncertainty for businesses.

With regard to consumer protection, recent reports indicate that SABS will take a tougher line on companies that violate mandatory standards. Other proposed reforms would impose Organization for Economic Co-operation Development (OECD) standards in South Africa. While this may not always be strictly enforced, the possibility of more stringent consumer protection regulation is something that companies need to take into account.

Standards Organizations Return to top

List of South African Standards Organizations:

South African Bureau of Standards (SABS): the South African government agency responsible for standards.
Website: http://www.sabs.co.za

Council for Scientific and Industrial Research (CSIR): the research organization aiming to promote economic growth in southern Africa.
Website: http://www.csir.co.za

Engineering Council of South Africa (ECSA): the statutory body focused on promoting high standards of engineering work.
Website: http://www.ecsa.co.za

National Department of Agriculture (NDA): the South African Government agency responsible for setting standards for certain agricultural and agricultural-related products.
Website: http://www.nda.agric.za

Department of Health: the government organization that aims at increasing the quality of medical care in South Africa.
Website: http://www.doh.gov.za

SADC Cooperation in Standardization (SADC Stan): The Southern African Development Community (SADC) constitutes fourteen member states, and has the goal of harmonizing member countries' standards and technical regulations. It is reliant on the capacity of primarily the SABS for its operations.
Website: http://www.sadcstan.co.za.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

Return to top

The following is a list of the major South African organizations involved in conformity assessment:

South African Bureau of Standards (SABS): a Government agency regulating standards.
Website: http://www.sabs.co.za

Human Science Research Council (HSRC): works with non-governmental organizations (NGOs), international development agencies, and the Government on large-scale, social-scientific projects. HSRC is also involved in the homologation of academic standards.
Website: http://www.hsrc.ac.za

Medicines Control Council (MCC): the organization that regulates medicine in South Africa.
Website: http://www.mccza.com

Product Certification

Return to top

Important points concerning product certification:

- Electrical products need to receive Electromagnetic Interference (EMI) certification.

- A mutual recognition agreement (MRA) exists between the Engineering Council of South Africa (ECSA) (the Accreditation Board for Engineering), and the Accreditation Board for Engineering and Technology, Inc. (ABET) in the United States.

- All medicines must be certified by the Medicines Control Council (MCC)
  Website: http://www.mccza.com/

- Electro-medical products, such as x-ray devices, need certification from the Radiation Control Council, a directorate of the Department of Health
  Website: http://www.doh.gov.za/index.html

Accreditation

Return to top

The following is a list of organizations involved in accreditation in South Africa:

South African National Accreditation System (SANAS) – Organization that awards official recognition to laboratories, certification bodies, inspection bodies, proficiency

testing scheme providers, and good laboratory practice (GLP) test facilities that possess the capability to carry out certain tasks. Electronic equipment must be tested at labs accredited by SANAS.
Website: http://www.sanas.co.za

International Laboratory Accreditation Cooperation (ILAC): International body that determines whether laboratories are able to perform specific tasks.
Website: http://www.ilac.org

International Accreditation Forum (IAF): Accreditation organization whose members are required to maintain high standards when accrediting companies.
Website: http://www.iaf.nu

Publication of Technical Regulations Return to top

The SABS is the statutory repository of all relevant standards. These can be obtained in electronic format from the SABS:
https://www.sabs.co.za:/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsSA1:MenuLink1=6

All proposed and final technical regulations are published in the *Government Gazette*. To subscribe to the printed (hard copy) of the *Government Gazette*, please contact:

The Government Printing Works
E-mail: jpe@print.pwv.gov.za
Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

Access to the Government Gazette is available online through a fee-based service provided by Sabinet Online Ltd. For additional information, visit www.sabinet.co.za.

Labeling and Marking Return to top

Important points on labeling/marking:

- Labeling/marking for industrial and pharmaceutical imports must be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU), an organization that permits goods to be exchanged practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; Swaziland; Botswana and Namibia.

- The South African Government has regulations mandating the labeling of genetically modified (GM) food products under certain circumstances, including when allergens or human/animal proteins are present and when a GM food product differs significantly from a non-GM equivalent. The new rules also required validation of enhanced-characteristic (for example, “more nutritious”) claims for GM food products. The regulations did not address labeling claims that products are GM-free. Biotechnology advocates are concerned about this omission, noting it could lead to fraudulent claims. Trade organizations seem satisfied with the regulations, which follow internationally recognized, scientific guidelines (under the Codex Alimentarius Commission (Codex) (www.codexalimentarius.net). South Africa's Codex representative comes from the Directorate of Food Control.

For more information, see:
http://www.doh.gov.za/department/foodcontrol/docs/explain.html.

Contacts Return to top

The South African Bureau of Standards
Head Office
Pretoria
Postal Address: Private Bag X191,
Pretoria 0001
Street Address: 1 Dr Lategan Rd., Groenkloof
Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568
Website: http://www.sabs.co.za/

Department of Agriculture
National Department of Agriculture (NDA)
Postal Address: Private Bag X250, Pretoria 0001
Street Address: Agricultural Building, 20 Beatrix Street,
Arcadia, Pretoria
Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394
Website: http://www.nda.agric.za/

Trade Agreements Return to top

There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) that compromise the Southern African Customs Union (SACU).

The Southern African Development Community (SADC) Free Trade Agreement should allow duty-free trade among the 14 countries of the region when it comes into full effect.

The European Union-South African Trade and Development Cooperation Agreement, which came into effect in 2000, will result in substantially free trade between South Africa and the European Union by 2008. South Africa has also negotiated agreements with the European Free Trade Association and Mercosur.

The South African Reserve Bank approves currency exchanges. The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions. As a matter of government policy, the South African Government is aiming to open its market further in order to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach in order to protect the labor-intensive garment industry.

Web Resources Return to top

ATA Carnets
Website: http://www.atacarnet.com/ata-carnet-info.htm

Bureau of Industry and Security, U.S. Department of Commerce
Website: http://www.bis.doc.gov

Codex Alimentarius Commission (Codex)
Website: http://www.codexalimentarius.net

Council for Scientific and Industrial Research
Website: http://www.csir.co.za

Department of Health
Website: http://www.doh.gov.za

Department of Trade and Industry
Website: www.thedti.gov.za

Directorate of Plant Health and Quality/National Department of Agriculture
Website: http://www.nda.agric.za

Engineering Council of South Africa
Website: http://www.ecsa.co.za

Human Science Research Council
Website: http://www.hsrc.ac.za

International Accreditation Forum
Website: http://www.iaf.nu

International Laboratory Accreditation Cooperation
Website: http://www.ilac.org

International Trade Administration Commission of South Africa
Website: www.itac.org.za

Medicines Control Council
Website: http://www.mccza.com

National Department of Agriculture
Website: http://www.nda.agric.za

Office of the U.S. Trade Representative
Website: http://www.ustr.gov

Sabinet Online Ltd.
Website: http://www.sabinet.co.za

South African National Accreditation System
Website: http://www.sanas.co.za

South African Revenue Services
Website: http://www.sars.gov.za

The South African Bureau of Standards
Website: http://www.sabs.co.za

U.S. Commercial Service South Africa
Website: http://buyusa.gov/southafrica/en

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment

Return to top

The South Africa Government is open to foreign investment, which it views as a means to drive growth, improve international competitiveness, and obtain access to foreign markets. Virtually all business sectors are open to foreign investors. No government approval is required, and there are almost no restrictions on the form or extent of foreign investment.

The Department of Trade and Industry's (DTI) Trade and Investment South Africa (TISA) division provides assistance to foreign investors. The DTI concentrates on sectors in which research has indicated that the country has a comparative advantage. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits, and logistical support for relocation. DTI publishes the "Investor's Handbook" on its website: http://www.thedti.gov.za/ (see "publications").

Macroeconomic management has been strong over the past decade, with reduced levels of public debt, generally low inflation, and a progression from a fiscal deficit to a fiscal surplus, and a consistently positive rate of economic growth. The post-apartheid government has sought to liberalize trade and enhance international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization, and reforming the regulatory environment. While this has resulted in several large foreign acquisitions in banking, telecommunications, tourism, and other sectors, foreign direct investment has fallen short of the Government's expectations.

South African banks are well-capitalized and have little exposure to sub-prime debt or other sources of financial contagion. However, in the wake of the recent global financial turmoil, Standard & Poor's (S&P) and Fitch downgraded their outlook on South Africa's sovereign credit from "stable" to "negative" in late 2008, reflecting concerns that capital outflows could depress the rand and make it difficult for South Africa to finance its growing current account deficit.

In August 2007, the DTI launched its National Industrial Policy Framework, and the accompanying Industrial Policy Action Plan, to promote a more labor-absorbing and broader-based industrialization path in four lead sectors: capital or transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture. Business-process outsourcing, clothing and textiles, tourism, and biofuels were also identified for immediate attention. The Policy Framework anticipates initiatives in the form of tariff reductions, increased industrial financing, and additional incentives for investors.

The Black Economic Empowerment (BEE) strategy is a government program to increase the participation of historically disadvantaged South Africans in the economy. BEE requirements are specified in the Codes of Good Practice, which were published in the Government Gazette in February 2007. The codes set forth best practices for employment equity, skills development, enterprise development, preferential procurement, equity ownership, and small and medium-sized enterprises.

The Codes permit multinational corporations to score equity ownership "points" through the use of mechanisms not involving the transfer of equity if these mechanisms are approved by DTI and the multinationals have a global corporate policy of owning 100 percent of the equity in their subsidiaries. The American Chamber of Commerce and many individual U.S. companies had pressed for the right to use such "equity equivalent" mechanisms. A firm's BEE "score" will be considered by Government departments when awarding contracts, and in some cases is a requirement for tendering. While firms are not legally required to meet BEE criteria, they are less competitive for government tenders if they fail to meet the criteria. The BEE Codes of Good Practice and other pertinent BEE legislation may be found on DTI's website: http://www.thedti.gov.za/.

Some state-owned enterprises were privatized in the 1995-2004 period. Since 2004, the Government has been restructuring most of the remaining state-owned enterprises rather than proceeding with plans for privatization. Transnet (transportation) is focusing on core sectors that support its freight transport and logistic business. Assets or businesses that are not part of this strategy are in the process of being sold to the private sector or are being transferred back to the government. Transnet transferred SA Express to the Department of Public Enterprises in 2008, and Transtel Telecom was sold to Neotel. Transnet is also selling off Luxrail (The Blue Train), Autopax (a passenger bus operation), and the IT service subsidiary, arivia.kom. The Department of Minerals and Energy (DME) contracted with U.S. power producer, AES, for a 1000 MW power project, but canceled the agreement.

Other opportunities for private investment in the power sector are likely to follow DME's announced policy to grant up to 30 percent of new energy projects to the private sector. The planned privatization of smaller parastatals, such as Safcol (forestry) and, in the case of Denel (defense), with partial buy-ins by foreign suitors of Denel subsidiaries, also afford opportunities for foreign investment.

Conversion and Transfer Policies

The South African Reserve Bank's (SARB) Exchange Control Department administers foreign exchange policy. An authorized foreign exchange dealer, normally one of the large commercial banks, must handle international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, that is received by South African residents or companies. As a rule, there are only limited delays in the conversion and transfer of funds.

Non-residents may freely transfer capital into and out of South Africa, although transactions must be reported to authorities. Non-residents may purchase local securities without restriction. To facilitate repatriation of capital and profits, foreign investors should make sure that an authorized dealer endorses their share certificates as "non-resident." Foreign investors should also be sure to maintain an accurate record of investment.

South African subsidiaries and branches of foreign companies are considered to be South African residents, and therefore are subject to exchange control by the SARB. As a general rule, South African companies may freely remit the following to non-residents:

- repayment of capital investments;
- dividends and branch profits (provided such transfers are made out of trading profits and are financed without resorting to excessive local borrowing);
- interest payments (provided the rate is reasonable); and
- payment of royalties or similar fees for the use of know-how, patents, designs, trademarks or similar property (subject to prior approval of SARB authorities).

South African companies have been permitted to invest in other countries without restriction since 2004 (although SARB approval/notification is still required). South African individuals may freely invest in foreign firms listed on South African stock exchanges. Individual South African taxpayers in good standing may invest up to R750,000 in total (approximately $75,000) in other countries.

South African banks are permitted to commit up to 40 percent of their domestic capital in other countries, but only 20 percent outside Africa. In addition, mutual and other investment funds may now invest up to 25 percent of their retail assets in other countries. Pension plans and insurance funds may invest 15 percent of their retail assets in other countries.

Before accepting or repaying a foreign loan, South African residents must obtain SARB approval. The SARB must also approve the payment of royalties and license fees to non-residents when no local manufacturing is involved. When local manufacturing is involved, the DTI must approve the payment of royalties related to patents on manufacturing processes and products. Upon proof of invoice, South African companies may pay fees for foreign management and other services, provided such fees are not calculated as a percentage of sales, profits, purchases, or income.

SARB approval is also required for the sale of all forms of South African-owned intellectual property rights (IPR). Approval is generally granted by SARB if the transaction occurs at arms length and at fair market value. IPR owned by non-residents is not subject to any restrictions in terms of repatriation of profits, royalties, or proceeds from sales.

Further questions on exchange control may be addressed to:

South African Reserve Bank
Exchange Control Department
P.O. Box 427,
Pretoria, 0001
Tel: +27 (0) 12 313-3911; Fax: +27 (0) 12 313-3197
Website: http://www.reservebank.co.za/

Expropriation and Compensation

The Expropriation Act of 1975 (Act) and the Expropriation Act Amendment of 1992 entitle the Government to expropriate private property for reasons of public necessity or utility. The decision is an administrative one. Compensation should be the fair market value of the property. There is no record, dating back to 1924, of an expropriation or nationalization of a U.S. investment in South Africa.

Racially discriminatory property laws during apartheid resulted in highly disproportionate patterns of land ownership in South Africa. As a result, the post-apartheid government has committed to redistributing 30 percent of the country's farm land to black South Africans by 2014.

In several restitution cases, the Government has initiated proceedings to expropriate white-owned farms after courts ruled that the land had been seized from blacks during apartheid, and the owners subsequently refused court-approved purchase prices. In most of these cases, the Government and owners have reached agreement prior to any final expropriation actions. The Government has twice exercised its expropriation power. It took possession of farms in Northern Cape Province and Limpopo in March 2007 and December 2007, respectively, after negotiations with owners collapsed. The Government paid the owners the fair market value for the land in both cases.

South Africa's Cabinet approved for submission to Parliament a new piece of legislation called the Expropriation Bill in March 2008. The Expropriation Bill sought to resolve differences between the Act and the South African Constitution, which allows the Government to expropriate land not just for reasons of public necessity but also for reasons that are "in the public interest." The bill is viewed as a Government strategy to speed land redistribution; as of 2008, only 4.1 percent of total farm land had been redistributed under the Government's land reform program. In August 2008, the bill was withdrawn -- and ultimately scrapped – in the face of criticism from farmers and private sector groups that questioned its constitutionality. A retooled version of the bill is expected to resurface in 2009.

Dispute Settlement

South Africa is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards, but is not a member of the World Bank's International Center for the Settlement of Investment Disputes. South Africa recognizes the International Chamber of Commerce, which supervises the resolution of transnational disputes. South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights.

Performance Requirements and Incentives

DTI offers six investment incentives for manufacturing:

1. Foreign Investment Grants may provide up to 15 percent of the value of new machinery and equipment to a maximum of R3 million (approximately $430,000) per entity for relocation to South Africa.
2. Industrial Development Zones (IDZ) provide duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods.
3. The Skills Support Program provides up to 50 percent of training costs and 30 percent of worker salaries for a maximum of three years to encourage the development of advanced skills.
4. The Strategic Investment Project program offers a tax allowance of up to 100 percent [a maximum allowance of R600 million (approximately $86 million) per project] on the cost of buildings, plant and machinery for strategic investments of at least R500 million (approximately $50 million).
5. The Critical Infrastructure Facility supplements funds up to 30 percent of the development costs of qualifying infrastructure projects.
6. The Small and Medium Enterprise Development Program offers a tax free grant of up to R3.05 million (approximately $300,000) to manufacturers with assets of less than R100 million (approximately $10 million) for a maximum of three years. The first two years of the grant is based on the investment in operating assets and the third year on the level of employment generated.

DTI established the Film and Television Production Rebate Scheme to encourage foreign and domestic investment in the local film industry. Eligible applicants may receive a rebate of 15 percent of the production expenditures for foreign productions and up to 25 percent for qualifying South African productions. Film projects must have begun after April 1, 2004, and must reach a threshold of R25 million (approximately $2.5 million) to qualify for the rebate. Other requirements include 50 percent completion of the principal photography in South Africa and a minimum of four weeks photography time. Eligible productions include movies, tele-movies, television series, and documentaries. The maximum rebate for any project will be R10 million (approximate $1 million). Details on the entire program are available at the DTI website at http://www.dti.gov.za/.

South Africa's provinces have development agencies that offer incentives to encourage investors to establish or relocate industry to areas throughout South Africa. The incentives vary from province to province and may include reduced interest rates, reduced costs for leasing land and buildings, cash grants for the relocation of physical plants and employees, reduced rates for basic facilities, rail, and other transport rebates, and assistance in the provision of housing.

The Industrial Development Corporation (IDC) is a self-financing, state-owned development that provides equity and loan financing to support investment in target sectors. The IDC also provides credit facilities for South African exporters. Several government-supported bodies provide technical assistance to industry. The Council for Scientific and Industrial Research (CSIRO) provides multi-disciplinary research and development for industrial application.

Technifin is a government-owned corporation which finances the commercialization of new technology and products. MINTEK develops mining and mineral processing technology for company application. The Council for Geoscience undertakes geological surveys and services related to minerals exploration.

Under the National Industrial Participation Program (NIPP), foreign companies winning large government tenders exceeding $10 million must invest at least 30 percent of the value of the imported content of the tender in South Africa.

The Government initiated the Motor Industry Development Program in 1995 to restructure the South African automotive industry over a period of twelve years. The program was designed to encourage local manufacturing by means of a duty-rebate scheme on imported vehicles and component parts, to be phased out over the life of the program. In 2002, the Minister of Trade and Industry extended the program from 2007 to 2012. Import duties and duty rebates will continue to decline over this extended period. The import duty on built-up light vehicles will be reduced to 25 percent, and the import duty on original equipment components will fall to 20 percent by 2012.

In 2008, the South African cabinet approved a new Automotive Production and Development Program (APDP) to replace the MIDP. The APDP will aim to increase production in the auto sector to 1.2 million vehicles per year by 2020, with an associated deepening of components production. The APDP is structured around a mix of high tariffs and tariff credits plus other incentives. The new program updates an old program. The old program included export incentives, whereas the new program calls for production incentives. The new program epitomizes the Government's relatively new commitment to industrial policy as a source of job creation and growth.

The Government launched its National Industrial Policy Framework with an accompanying Action Plan in August 2007. As noted above in Section 6.1, the Policy Framework provides for import tariff reductions, tighter competition legislation, increased industrial financing, and an improved incentive scheme for investors in specific industrial sectors.

Right to Private Ownership and Establishment

The right to private property is protected under South African law. All foreign and domestic private entities may freely establish, acquire, and dispose of commercial interests. The securities regulation code requires that an offer to minority shareholders be made when 30 percent shareholding has been acquired in a public company that has at least ten shareholders and net equity in excess of R5 million.

State-owned enterprises dominate a number of key sectors in South Africa:

- Eskom supplies 94 percent of South Africa's electricity.
- Transnet operates the bulk of the nation's railways and ports.
- The South African Post Office is a legislated monopoly.
- Telkom is the dominant fixed-line telephone operator and is 37 percent-owned by government.
- Neotel is a second national operator that began limited business-only operations in October 2006 and is 30 percent government owned. Neotel entered the business-to-business market in 2007 and has competed in the residential market in selected areas.
- InfraCo, a 100 percent government-owned broadband provider, was formed using the fiber-optic networks of Eskom and Transnet in December 2006 and was approved for operations by Parliament in October 2007.

The Competition Act of 1998 and subsequent amendments address anticompetitive practices in both the private and public sectors. The Competition Commission has demonstrated increasing capacity to implement competition policy. There have been more frequent challenges in recent years against state-owned enterprises, like Telkom, that compete unfairly or otherwise abuse their dominant position.

Protection of Property Rights

The South African legal system protects and facilitates the acquisition and disposition of all property rights, for example, land, buildings, and mortgages. Deeds must be registered at the Deeds Office. Banks usually provide finance for the purchase of property by registering the mortgage as security.

Owners of patents and trademarks may license them locally, but when a patent license entails the payment of royalties to a non-resident licensor, DTI must approve the royalty agreement. Patents are granted for twenty years, usually with no option to renew. Trademarks are valid for an initial period of ten years and thereafter renewable for ten-year periods. The holder of a patent or trademark must pay an annual fee to preserve ownership rights.

All agreements relating to payment for the right to use know-how, patents, trademarks, copyrights, or other similar property are subject to approval by exchange control authorities in the SARB. A royalty of up to four percent of the factory selling price is the standard approval for consumer goods. A royalty of up to six percent will be approved for intermediate and finished capital goods.

Literary, musical, and artistic works, as well as cinematographic films and sound recordings are eligible for copyright under the Copyright Act of 1978. New designs may be registered under the Designs Act of 1967, which grants copyrights for five years.

The Counterfeit Goods Act of 1997 provides additional protection to owners of trademarks, copyrights, and certain marks under the Merchandise Marks Act of 1941.

The Intellectual Property Laws Amendment Act of 1997 amended the Merchandise Marks Act of 1941, the Performers' Protection Act of 1967, the Patents Act of 1978, the Copyright Act of 1978, the Trademarks Act of 1993, and the Designs Act of 1993 to bring South African intellectual property legislation fully into line with the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement. Amendments to the Patents Act of 1978 were also intended to bring South Africa into line with TRIPS, to which South Africa became a party in 1999, and provides for the implementation of the Patent Cooperation Treaty.

The International Intellectual Property Alliance reported an increase in border seizures of pirated goods, as well as increased police raids in the optical disc market during 2006 and 2007. A local watchdog, the South African Federation Against Copyright Theft reported on its website (http://www.safact.co.za/) statistics on seizures of counterfeit DVDs as well as a growing number of successful criminal cases, including imposition of prison sentences against pirates in 2008, demonstrating the Government's commitment to IPR enforcement.

Transparency of the Regulatory System

The Companies Act of 1973 provides for transparent regulations concerning the establishment and operation of businesses. Under the Act, for-profit businesses employing more than 20 persons must register as a company within 21 days. The same rules apply to foreign companies, with the exception that foreign companies may elect to operate as an "external company" (with no limit on legal liabilities).

In general, businesses must also register with the local Regional Services Council, the Department of Labor, the Workman's Compensation Commissioner, the appropriate industry council, and the South African Revenue Service. All businesses must obtain an operating license from local authorities. The validity of an operating license is indefinite unless a business is sold or relocated. The forms to be filled out by investors are straightforward. The process takes six months on average, but can be done in one month through Trade Investment South Africa (TISA).

Almost all business activities are open to foreign investors. The Government does not prohibit or officially discourage a foreign-owned business from locating in a particular region of the country. Restrictions that apply to a particular industry apply to both domestic and international investors. Exceptions exist in the areas of banking and defense. For example, a branch of a foreign bank may be required to employ a certain number of South Africans and maintain a minimum local capital base to obtain a banking license when these requirements are not applied to domestic banks. In addition, a foreign company must register as an external company before immovable property can be registered its name.

Efficient Capital Markets and Portfolio Investment

South Africa's banks are well-capitalized and comply with international banking standards. Six of the 35 banks in South Africa are foreign-owned while 15 are branches of foreign banks. The "Big Four" (Standard, ABSA, First Rand, and Nedcor) dominate the sector, accounting for almost 85 percent of the country's banking assets, which total over $240 billion. Barclays' acquisition of ABSA received Government approval in 2005.

The International Commercial Bank of China purchased a 20 percent stake in Standard Bank in late 2007, and the Government approved the sale in early 2008. The SARB regulates the sector according to the Bank Act of 1990.

There are three alternatives for foreign banks to establish local operations, all of which require SARB approval. These include the establishment of: 1) a separate company; 2) a branch; or 3) a representative office. The criteria for the registration of a foreign bank are the same as for domestic banks. Foreign banks must include additional information, such as holding company approval, a letter of "comfort and understanding" from the holding company, and a letter of no objection from the foreign bank's home regulatory authority. More information on the banking industry may be obtained from the South African Banking Association at the following website: http://www.banking.org.za/.

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: http://www.fsb.co.za/). The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets.

The JSE Securities Exchange SA (JSE) is the fourteenth largest exchange in the world, in terms of market capitalization. Market capitalization stood at R4.4 billion ($466 million) in December 2008 with over 400 firms listed.

The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers, and independent intermediaries. The Exchange consists principally of bonds issued by government, state-owned enterprises, and private corporations. The JSE is expected to acquire the BESA. More information on financial markets may be obtained from the JSE (website: www.jse.co.za) and the Bond Exchange (website: http://www.bondexchange.co.za/).

Foreign investors deemed "affected persons" must obtain SARB approval to borrow amounts greater than R20,000 (approximately $2,100). "Affected persons" are defined as companies or other bodies in which: 1) 75 percent or more of the capital assets or earnings may be used for payment to, or for the benefit of, a non-resident; or 2) 75 percent or more of the voting securities, voting power, power of control, capital, assets or earnings are vested in, or controlled by, a non-resident.

No person in South Africa may provide credit to a non-resident or "affected person" without an exchange control exemption. Non-residents and "affected persons," however, may borrow up to 100 percent of the South African rand value of funds introduced from abroad and invested locally. The ability to borrow locally increases if both residents and non-residents own the local enterprise.

Political Violence

South Africa's political landscape is changing as the nation approaches national elections in 2009. The Congress of the People (COPE) is a new opposition party that was formed largely as an offshoot of the ruling African National Congress (ANC). There were isolated cases of political violence in 2008, and there exists some potential for sporadic campaign violence in the run-up to 2009 elections. Criminal violence remains high. National and provincial governments have pursued a number of programs in an attempt to control or stabilize the level of criminal violence.

Corruption

The 2000 Promotion of Access to Information Act and the 2000 Public Finance Management Act helped to increase transparency in government. The 2004 Prevention and Combating of Corrupt Activities Act (PCCAA) defines graft, bars the payment of bribes by South African citizens and firms to foreign public officials, and obliges public officials to report corrupt activities.

One shortcoming of the PCCAA has been its failure to protect whistleblowers against recrimination or defamation claims. South African law also provides for the prosecution of Government officials who solicit or accept bribes. Penalties for offering or accepting a bribe may include criminal prosecution, monetary fines, dismissal from government employment, or deportation (for foreign citizens).

South Africa has no fewer than 10 agencies engaged in anti-corruption activities. Some, like the Public Service Commission, the Office of the Public Protector, and the Office of the Auditor-General, are constitutionally mandated to address corruption as only part of their responsibilities. High rates of violent crime are a strain on capacity and make it difficult for South African criminal and judicial entities to dedicate adequate resources to anti-corruption efforts.

Parliament voted to disband the South African Police Anti-Corruption Unit and the Directorate for Special Operations (more popularly known as the “Scorpions”) and fold its jurisdiction into the National Police in October 2008.

Transparency International's 2008 Corruption Perceptions Index reports that corruption in South Africa is perceived to be greater than it was in 2007. South Africa was ranked 43rd out of 179 countries in 2007 (where 1 is the country where corruption is perceived to be the lowest, and 179 is the one where corruption is perceived to be the greatest) to 54th out of 180 countries in 2008.

South Africa was the second least corrupt country in Africa in 2007; it was the fourth least corrupt country in Africa in 2008. Public perception of widespread official corruption, particularly in the police and the Department of Home Affairs, continued. South Africa is not a signatory of the OECD Convention on Combating Bribery, but is a signatory of the UN Convention against Corruption. Transparency International maintains an office in South Africa.

Bilateral Investment Agreements

South Africa has bilateral investment agreements with Argentina, Austria, Belgium, Canada, Chile, the Czech Republic, Finland, France, Germany, Greece, Mauritius, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. A Trade, Development, and Cooperation Agreement went into force between South Africa and the European Union on January 1, 2000, but it does not contain an investment chapter. South Africa, as part of SACU, is currently in negotiations for free trade agreements with Mercosur and India.

The United States began free trade agreement (FTA) negotiations with the five Southern African Customs Union (SACU) countries (South Africa, Botswana, Lesotho, Namibia, and Swaziland) in June 2003, but active negotiations were suspended in April 2006. In lieu of a U.S.-SACU FTA, the United States and SACU negotiated a Trade, Investment and Development Cooperation Agreement (TIDCA), which was signed in July 2008. The four areas singled out for special attention under the TIDCA are customs cooperation, technical barriers to trade, sanitary/phytosanitary (SPS) issues, and trade and investment promotion.

Agreements regarding mutual assistance between the customs administrations of the United States and South Africa became effective on August 1, 2001. The U.S.-South Africa bilateral tax treaty eliminating double-taxation became effective on January 1, 1998.

OPIC and Other Investment Insurance Programs

South Africa and the United States signed an agreement to facilitate Overseas Private Investment Corporation (OPIC) programs in 1993. OPIC has since invested in a number of funds supporting sub-Saharan Africa development, including the Africa Growth Fund ($25 million), the Modern Africa Growth and Investment Fund ($105 million), and the ZM Investment Fund ($120 million). OPIC also established the $350 million Sub-Saharan Africa Infrastructure Fund (SAIF), which intends to fund infrastructure projects in sub-Saharan Africa. OPIC helped the National Urban Reconstruction and Housing Agency (NURCHA) to establish a $31 million scheme to lend to small contractors for the construction of affordable houses.

OPIC entered into an agreement with the Homeloan Guarantee Company (HLGC) to fund low-income home loans for HIV-positive South Africans in 2004. The pilot program for this project was initiated in 2005. Net proceeds from a $300 million investment pool will be used to purchase medication for HIV-positive South African homeowners holding HLGC guaranteed mortgages.

OPIC announced in June 2008 that it will provide up to $250 million to banks and financial institutions to expand their lending to small businesses. Additional information on OPIC programs that involve South Africa may be found on OPIC's website: http://www.opic.gov/.

South Africa is also a member of the World Bank's Multilateral Investment Guarantee Agency.

Labor

The South African Government has worked to remove all vestiges of apartheid-era labor legislation over the last 14 years. In its place, the Government created a labor market characterized by employment security, reasonable wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business, and organized labor negotiated all labor laws, with the exception of laws pertaining to occupational health and safety. NEDLAC negotiations placed a high value on worker rights and collective bargaining.

The law allows almost all workers to form or join trade unions of their choice without previous authorization or excessive requirements. As of March 2008, total trade union membership was roughly 3.5 million persons, or 31 percent of the economically active population employed in the formal sector.

Most union members belong to affiliates of the Congress of South African Trade Unions (COSATU). Other unions are affiliated to the Federation of Unions of South Africa (FEDUSA) or the National Council of Trade Unions (NACTU). COSATU, the largest of the federations, is strongly allied with the African National Congress (ANC) and the South African Communist Party in a tripartite alliance and vigorously lobbies the ruling party to implement its policy positions.

The right to strike is protected under South African labor law. A Department of Labor bulletin reported 102 strikes in the 2006-2007 year ending March 2007, with 264,426 workers participating and over four million work days lost. Data for 2007-2008 has not yet been released. Sectors most affected have historically been community services, manufacturing, mining, and retail.

South African business argues that the labor market is rigid and over-regulation has constrained employment. Trade unions argue that employers evade labor legislation through the use of labor brokers who supply casual workers. COSATU has lobbied for and welcomed a pledge by the Minister of Labor that the next ANC government will outlaw all labor brokers. Other areas of contention between business and trade unions revolve around workplace safety, the application of wage structures to all firms in an industry whether or not firms participated in wage negotiations, wage increases, and complex requirements and appeal procedures for the dismissal of workers.

Major labor legislation includes:

-- The Labor Relations Act, in effect since November 1996, provides retrenchment guidelines, stating that employers must consider alternatives to retrenchment and must consult all relevant parties when considering possible layoffs. The Act enshrines the right of workers to strike and of management to lock out workers.

The Act created the Commission on Conciliation, Mediation, and Arbitration (CCMA) which can conciliate, mediate, and arbitrate in cases of labor dispute, and is required to certify an impasse in bargaining council negotiation before a strike can be legally called. The CCMA enjoys substantial popularity among workers and has a caseload in excess of what was anticipated.

-- The Basic Conditions of Employment Act, implemented in December 1998, establishes a 45-hour workweek as well as minimum standards for overtime pay, annual leave, and notice of termination. The Act outlaws child labor. No employer may require or permit overtime expect by agreement, and overtime may not be more than ten hours per week.

-- The Employment Equity Act of 1998 prohibits unfair employment discrimination and requires large and medium-sized employers to prepare affirmative action plans to ensure that black Africans, women, and disabled persons are adequately represented in the workforce.

-- The Occupational Health and Safety Act, last amended in 1993, establishes occupational health and safety standards and gives the Department of Labor the right to inspect the workplace. The Mine, Health and Safety Act authorizes the Inspector of Mines to provide regulatory oversight for the mining industry.

-- The Skills Development Act of 1998 imposes a levy on employers equal to one percent of the payroll that is to be used for training programs devised by industry-specific training authorities (SETA's). Employers who provide job skills training can claim back much of their contribution from Government.

According to the March 2008 Labor Force Survey (LFS), the official unemployment rate was 24.2 percent. This rate uses the International Labor Organization (ILO) definition of unemployment, which excludes persons who have not actively sought employment during the previous four weeks. Despite the high unemployment rate, South Africa has a shortage of skilled workers across many sectors and businesses allege that their statutory contributions to government-sponsored training authorities are wasted or misused and that those authorities have done little to increase the skills base.

South Africa has no country-wide minimum wage, but the Minister of Labor has issued determinations that set a minimum wage for certain occupations where collective bargaining is not common. These occupations include domestic workers, farm workers, taxi-drivers, and retail employees. In addition, the Minister can apply collective bargaining agreements to firms that did not participate in negotiations.

Companies have complained about a regulation in early 2003, which introduced a two-percent training levy on the salaries of expatriates in order to enter the country under an expedited visa procedure. This money goes directly to industry-specific training authorities (SETA's). The levy does not apply to expatriates already resident in the country or to inter-company transfers. Expatriates who enter the country under the normal visa procedure are exempt from the levy, but the normal process is complex and time-consuming. The Government's decision to implement the levy-based system through regulation rather than legislation has also been controversial. A legal challenge to the regulations further delayed the implementation of new immigration legislation and this created more uncertainty about the effective handling of applications for visas.

Foreign Trade Zones/Free Ports

South Africa designated its first IDZ in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods. Expedited services and other logistical arrangements may be provided for small to medium-sized enterprises, or for new foreign direct investment. Co-funding for infrastructure development is available. There are no exemptions from other laws or regulations, such as environmental and labor laws.

The Manufacturing Development Board licenses IDZ enterprises in collaboration with the South African Revenue Service (SARS), which handles IDZ customs matters. IDZ operators may be public, private, or a combination of both. IDZs are currently located at Coega near Port Elizabeth, in East London, Richards Bay, and at OR Tambo International Airport near Johannesburg. An IDZ in Mafikeng is expected to be approved by Cabinet in 2009.

Foreign Direct Investment Statistics

Foreign direct investment (FDI) data is readily available in South Africa, but published statistics vary depending on their source and definition. Among the numerous institutions that provide foreign investment data, the U.S. Embassy in South Africa relies mostly on the SARB. SARB statistics conform to the IMF definition of FDI (i.e., FDI is generally defined as ownership of at least 10 percent of the voting rights in an organization by a foreign resident or several affiliated foreign residents, including equity capital, reinvested earnings, and long-term loan capital) and represent actual investment, excluding announced but not completed "intended" investment. The SARB does not provide country-specific figures that distinguish between actual investment flows and changes in investment stocks caused by asset swaps, exchange rate adjustments, and mergers and acquisitions. This makes it difficult to track the United States' and other countries' FDI position in South Africa on an annual basis.

Because SARB statistics only provide an annual total for all the countries' flows combined, observers also often consult more updated information obtained from the South Africa-based firm "Business Map" (BM). The latter offers fee-based services for a wide range of investor-related data and analysis (website: http://www.businessmap.co.za/). The following FDI statistics were drawn from the SARB's December 2008 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited.

Table A: Average Exchange Rates

	2002	2003	2004	2005	2006	2007
Rand/US$	10.52	7.56	6.45	6.36	6.77	7.05

Table B: Year-end Stock of Foreign Direct Investment in South Africa

	2002	2003	2004	2005	2006	2007
Rand(billion)	255.84	303.55	355.09	489.32	611.72	751.92
US$ (billion)	24.33	40.14	55.05	76.94	90.36	106.65

Table C: Year-end Stock of South African Direct Investment Abroad

	2002	2003	2004	2005	2006	2007
Rand(billion)	189.91	180.51	216.66	232.93	354.25	448.62
US$ (billion)	18.06	23.87	33.59	36.62	52.33	63.63

Table D: GDP (in billion rand at current prices) and year-end FDI Stock as a percentage of GDP

	2002	2003	2004	2005	2006	2007
GDP	1,168.7	1,260.7	1,398.6	1,541.07	1,741.06	1,999.09
FDI (%)	21.9	24.1	25.4	31.8	35.1	37.7

Table E: Year-end stock of FDI in South Africa by region/country (billions)

REGION/COUNTRY	2006	2007	2006	2007
	RAND	RAND	US$	US$
EUROPE – Total	535.6	656.1	79.1	93.1
UNITED KINGDOM	440.3	524.2	65.0	76.9
GERMANY	34.1	41.3	5.0	5.9
NETHERLANDS	22.1	28.9	3.3	4.1
SWITZERLAND	12.3	21.3	1.8	3.0
FRANCE	9.2	12.3	1.4	1.7
ITALY	2.9	3.5	0.4	0.5
N&S AMERICA (total)	51.2	64.1	7.6	9.1
USA	37.4	46.3	5.5	6.6
AFRICA (total)	4.1	5.7	0.6	0.8
ASIA (total)	19.8	24.7	2.9	3.5
MALAYSIA	2.4	2.3	0.4	0.3
JAPAN	14.7	12.9	2.2	1.8
OCEANIA (total)	1.0	1.2	0.1	0.2
TOTAL	611.7	751.9	90.36	106.6

Table F: Year-end Stock of South African Direct Investment Abroad by Region/Country (billions)

REGION/COUNTRY	2006	2007	2006	2007
	RAND	RAND	US$	US$
EUROPE - Total	238.8	276.4	35.3	39.2
LUXEMBURG	106.4	122.1	15.7	17.3
UNITED KINGDOM	79.8	92.7	11.8	13.1
AUSTRIA	22.3	22.7	3.32.8	3.23.3
OTHER	30.3	40.0	4.54.0	5.64.5
N&S AMERICA (total)	23.7	26.8	3.52.6	3.83.5
USA	21.7	23.8	3.22.3	3.43.2
AFRICA (total)	59.1	84.4	8.73.0	11.98.7
ASIA (total)	25.8	44.3	3.80.2	6.33.8
OCEANIA (total)	6.8	16.6	1.01.1	2.41.0
TOTAL	354.3	448.6	36.6	52.363.6

Table G: Year-end Stock of FDI in South Africa by Industry Sector (billions)

INDUSTRY	2006	2007	2006	2007
	RAND	RAND	US$	US$
Agriculture, Forestry & Fishing	0.9	0.8	0.1	0.2
Mining	250.4	332.2	37.0	47.1
Manufacturing	165.4	197.1	24.4	27.9
Construction	2.0	1.9	0.3	0.2
Trade, Catering, & Accommodation	16.2	27.7	2.4	3.9
Transport, Storage, & Communication	13.8	12.8	2.0	1.8
Finance, Insurance, Real Estate & Business Services	162.5	178.6	24.0	25.3
Social Services	0.5	0.5	0.1	0.1
TOTAL	611.7	751.9	90.4	106.6

Table H: FDI Flows into South Africa:

Investment by foreigners in undertakings in South Africa in which they have at least ten percent of the voting rights (R billions):

2001*	58.4
2002	8.0
2003	5.6
2004	5.2
2005*	42.3
2006	-3.6
2007*	40.1

*The high inflow in 2001 was due to the DeBeers/Anglo American transaction.

*The inflow in 2005 was due to the Barclays/ABSA and Vodafone/Vodacom transactions.

*The inflow in 2007 was due to ICBC's purchase of Standard Bank.

Table I: FDI Flows out of South Africa:

Investment by South Africans in undertakings abroad in which they have at least ten percent of the voting rights (R billions):

2001*	-27.4 (inflow - decrease in investment abroad)
2002	-4.2 (inflow - decrease in investment abroad)
2003	4.3
2004	8.7
2005	5.9
2006	45.5
2007	-20.9 (inflow – decrease in investment abroad)

*2001 De Beers/Anglo American transaction resulted in the return of capital, previously invested abroad, to South Africa.

Since 1994, many foreign firms have opened or re-opened offices in South Africa. There are an estimated 600 American companies (including subsidiaries, joint ventures, local partners, agents, franchises, and representative offices) doing business in South Africa.

Key Investment Industries in South Africa:

South Africa is largely a food self-sufficient country, with imports of wheat, oilseeds, poultry and pork largely offset by exports of fresh fruits, vegetables, fruit juice, and wine. The bulk of the population's food needs are supplied locally. In certain instances, South African food and beverage companies have become global players, such as beer producer SAB Miller. Major international agro-processing companies with a presence in South Africa include Unilever, Nestle, Coca-Cola, Groupe Danone, Parmalat, Kellogg, HJ Heinz, Cadbury-Schweppes, Virgin Cola, McCain Foods of Canada, and Pillsbury.

The chemical industry is the largest manufacturing sector in the South African economy, accounting for five percent of GDP. The country is a world leader in the manufacture of synthetic fuel from coal. In addition to Sasol and PetroSA Fischer-Tropsch-based synthetic fuel operations, four oil refineries dominate the petroleum and petrochemical industry. The rest of the chemical manufacturing sector consists mainly of AECI, Sentrachem, and fertilizer plants.

The Standard, ABSA, First Rand, and Nedcor commercial banking groups provide retail and investment banking services and dominate the South African banking industry. The European, Malaysian, and U.S. banks with banking licenses have so far concentrated on corporate rather than retail banking. Foreign banks have gained market share through acquisition, as in the case of ABSA, by offering competitive lending rates.

The South African automotive and components industry includes Ford, General Motors, Volkswagen, Bavarian Motor Works, Daimler, Chrysler, Nissan, and Toyota, all of which benefit from the APDP and have production plants in South Africa.

Table J: Top Foreign Companies Invested In South Africa

Australia	BHP Billiton
Canada	Placer Dome
Denmark	AP Moller
France	Lafarge
Germany	BMW, Volkswagen
India	Neotel, Tata
Italy	Cirio (Del Monte)
Switzerland	Movenpick Hotels
U.K,	Anglo American, Barclays, British Petroleum, Lonrho Plc, Old Mutual, SA Breweries, Virgin, Vodafone,
U.S.	Caltex, Coca Cola, CSX, Dow Chemicals, Ford, Forrest, General Motors, Pioneer Energy, Timken, Westinghouse
Saudi Arabia	Oger

UAE	Victoria and Alfred Waterfront

This is an illustrative listing of companies that have invested in excess of R1 billion in South Africa since 1994.

Other significant U.S. investors include: Caterpillar, Cisco, CitiGroup, Dell, Eli Lilly, Fluor, Forrest, General Electric, Goodyear, HP, IBM, Levi Strauss, Johnson & Johnson, McDonalds, Microsoft, Nike, Proctor & Gamble, Sara Lee, Silicon Graphics, Westinghouse.

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

Return to top

South African importers utilize most of the standard payment methods available in international commerce. The most commonly used are:

- Cash in Advance: the buyer pays for goods in advance and money is transferred from the buyer's account to the seller's account in the currency of the Pro Forma Invoice. (Lowest Risk)

- Letters of Credit (LC), also known as Commercial or Documentary Credits. This form protects both buyer and seller against non-payment and is issued by a bank on behalf of an importer in favor of a beneficiary, typically the exporter. If the exporter is concerned about the reliability of the importer only, he/she should use irrevocable LC.   If the exporter is also concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit.

  In South Africa, all credits issued are subject to exchange control regulations, and in limited cases, a South African import permit. South African exchange control regulations stipulate that payment of imports may be effected only by authorized banks against submission by their customers of documentary proof that the goods were imported into South Africa as evidenced by invoices and shipping documents stamped by South African Customs. An exception is, inter alia, when South African banks have opened documentary import letters of credit in favor of foreign exporters. Payment in those instances may be effected against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States).   If credit is available, payment will take place upon presentation of documents.

  Payment can be made via transmission or airmail, depending on the reimbursement clauses. The advising bank should, if possible, be the same bank as the exporter's bank. If the exporter's bank is unknown, the South African bank will advise the credit through a correspondent bank known to it in the United States and, if possible, in the exporter's city. (Low Risk)

- Bank Collections and Bills of Exchange: whereby the exporter initiates through the banking system the collection of money owed to him by the buyer. (Medium Risk)

- Open Account: the seller relies entirely on the buyer/importer to make payment as stipulated under a contract of sale. (High Risk)

- Sales on Consignment: the seller sends goods prior to payment, but retains ownership of the goods until the buyer sells the goods to the end-user. The buyer is then expected to pay for the goods. (Highest Risk)

- International Money Transfers: used to transfer cash between the different countries' banks in different currencies. Two methods are used: Teletransmission or Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication). (Low Risk)

American exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin.

The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms.

Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

How Does the Banking System Operate

Return to top

South Africa's well-developed banking system resembles Britain's system rather than that of the United States. It consists of three key elements: the South African Reserve Bank (the country's central bank), private sector banks (commercial banks, merchant banks, and general banks), and mutual banks. South African banks hold the first six places among the top 100 banks on the continent of Africa.

Four large banks dominate the South African banking landscape. Standard Bank of South Africa, Nedcor, ABSA (Amalgamated Bank of South Africa, now owned by Barclays PLC), and FirstRand Bank collectively account for around 85 percent of banking services throughout South Africa. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. International banks in the country have focused on offshore lending where they have a competitive advantage as a result of their low overheads and their ability to raise funds at comparatively favorable rates), as well as treasury activities for corporate and clients and government.

All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base, and have the characteristics of universal banks. .

Based on population numbers, South Africa does not appear to be “over-banked,” as one branch exists for approximately every 9,500 persons. However, a large portion of the population does not have access to normal banking services and uses only a few products. Many Black South Africans tend to save outside the formal banking sectors, and choose to save in cooperative savings institutions called “stokvels.” Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. E-commerce financial services (i.e., banking and share dealing online) are doing well in the local market, and it is projected that this segment will continue to rise.

Although the services sector has, in the past, focused on the mid- to high income population, government pressure, through the Financial Services Charter, as well as demand from the lower-income population, has pushed the banks to join the smaller micro-lenders. As a result, the banks are incorporating the lower end of the market into their strategies, as well as developing BEE strategies into their business development plans.

Despite the global turmoil in the banking sector, the South African banking system remained relatively stable and the South African Reserve Bank reported that banks were adequately capitalized during 2007. Banks maintained capital-adequacy ratios above the minimum requirement of 10 percent. Bank assets increased from $ 259 billion at the end of December 2006 to $318 billion at the end of December 2007, representing an annual growth rate of 22.7 percent.

South African banks are currently well capitalized, particularly compared to their international counterparts. This is due, in part, to the Government’s prudent measures and retention of exchange control. Overall, local banks are viewed to be relatively stable and are unlikely to default any time soon. If any South African bank *was* to default, it is likely that the government would intervene to help protect depositors

Credit Ratings for the four major banks, as of August 2008 (Source: Moneyweb)

	Absa		**Standard Bank**		**Nedbank**		**FirstRand**	
	Moody's	**Fitch**	**Moody's**	**Fitch**	**Moody's**	**Fitch**	**Moody's**	**Fitch**
National								
Short-term	Prime-1.za	F1+ (zaf)	-	F+1 (zaf)	Prime-1.za	F+1 (zaf)	Prime-1.za	F+1 (zaf)
Long-term	Aaa.za	AAA (zaf)	-	AA+ (zaf)	Aa1.za	AA (zaf)	Aa1.za	AA+ (zaf)
Outlook	Stable	Stable	-	Negative	Stable	Stable	Stable	Stable
Local Currency								
Short-term	Prime-1	-	-	-	Prime-1	-	Prime-1	-
Long-term	Aa2	A	-	A-	Aa3	BBB+	A1	A-
Outlook	Stable	Stable	-	Negative	Stable	Stable	-	Stable
Foreign Currency						-		
Short-term	Prime-2	F1	-	F2	Prime-2	F2	Prime-1	F2

Long-term	Baa1	A	-	A-	Baa1	BBB+	Baa1	A-
Outlook	Positive	Stable	-	Negative	Stable	-	Stable	Stable
Bank Financial Strength	C	B/C	C+	-	C	B/C	C	B/C
Outlook	Stable	1	Stable	-	Stable	2	Stable	2

Source: Moneyweb : How Healthy Are SA Banks -
http://www.moneyweb.co.za/mw/view/mw/en/page38?oid=221911&sn=Detail

Foreign-Exchange Controls

Return to top

The Exchange Control Department at the South African Reserve Bank (SARB) administers foreign exchange policy. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. As a rule, there are only limited delays in the conversion and transfer of funds.

All inquiries of an exchange control nature should be directed at an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. For more information and a list of authorized dealers in foreign exchange, please refer to www.reservebank.co.za.

South African Reserve Bank (SARB):
Mr. Daniel Mminele
Acting Head, Exchange Control Department
P.O. Box 3125,
Pretoria, 0001
Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

When South African authorized dealers of foreign exchange open documentary import letters of credit in favor of foreign exporters, payment is effected against presentation by the exporters of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa. Foreign currency payments for imports may only be made against the following documents of title:

- Marine/Ocean Bill of Lading – covering multimodal transport or port-to-port shipment
- Multimodal Transport Document
- Air Waybill/Air Transport Document
- FIATA Forwarder's Certificate of Receipt
- Post receipt
- Certificate of Posting
- Courier's Dispatch Note or Air Waybill
- House Air Waybill
- House Bill of Lading

- Arrival notifications issued by Ellerman and Bucknall (Pty) Limited, Safmarine Limited, the Transatlantic Shipping Agency (Pty) Limited, and Nedloyd Agency Cies SA (Pty) Limited.

Foreign exchange may be provided for advance payments not exceeding 33 1/3 percent of the ex-factory cost of capital goods to be imported provided that:

(1) the South African banker is satisfied from the production of documentary evidence supplied by the overseas manufacturer that the order would otherwise be refused, and
(2) that such payment is normal in the trade concerned.

For advance payments exceeding 33 1/3 percent, the importer has to obtain specific approval from the Exchange Control Department of the South African Reserve Bank. The first shipment from a new supplier, the lack of availability of the imported equipment, or its superior quality to what is available in South Africa, are all examples of conditions for proper justification.

Foreign exchange may also be provided on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 (approx. $5,000), but authorized dealers must satisfy themselves by the subsequent production of the usual documentary evidence that the exchange provided has been used for the purposes stated and that the goods have been imported into the Republic. Prior Exchange Control approval is required for amounts exceeding R50,000.

Authorized dealers must in due course insist upon the presentation to them of original bills of entry import or local parcel post receipts as evidence that goods, for which transfers have been affected in terms of the above rules, have been received in South Africa. Such documents will also be boldly stamped "Exchange Provided." The date of the exchange transaction should be inserted under the stamp and, in the event of a partial payment, the amount concerned should be stated. Customers are advised to retain the stamped documents for at least two years for inspection purposes.

South African importers are allowed to obtain foreign exchange to meet import payments for goods consigned by air on a cash-on-delivery basis before the goods are cleared through customs. The documentation required for this transaction is a copy of the respective air waybill bearing an original stamp with the words "For Exchange Control Purposes Only", and is dated and signed by a member of the South African Association of Freight Forwarders (www.saaff.org.za).

U.S. Banks and Local Correspondent Banks Return to top

U.S. Banks with representative offices in South Africa:

American Express Bank Ltd.
Bank of New York Mellon
Merrill Lynch

U.S. Banks with registered offices in South Africa:

JP Morgan
Citibank

Banks in South Africa with Correspondent Worldwide Banking Arrangements:

ABSA (with Chemical Bank)
First National Bank
Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust)
Bank of Taiwan (South Africa) Limited
FirstRand Bank Limited
First National Bank of Southern Africa Limited
Mercantile Bank
International Bank of Southern Africa - S.F.O.M. Limited
Investec Bank Limited
Rand Merchant Bank Limited
Societe Generale South Africa Limited
Standard Merchant Bank Limited
The South African Bank of Athens Limited
The Standard Bank of South Africa Ltd.

For an up-to-date and comprehensive listing of all South African Reserve Bank registered banks, see: http://www.resbank.co.za/banks/banks.htm.

Project Financing

Return to top

Much of the well-publicized R400 billion ($40 billion) infrastructure drive is being financed by the Government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA), although a sizeable portion will also be funded by the private sector in the form of public private partnerships (PPP).

South Africa was an early pioneer of PPPs, embracing, for example, the use of toll roads to upgrade and maintain the national road systems as early as 1997, and building the first two private prisons in South Africa in 2000-01.

National or provincial governments will generally publish tenders, requiring consortia to respond to typical PPP projects. This is different from normal infrastructure tenders in that all the funding is privately raised. The concessionaire will usually be required to build and operate the infrastructure for an extended period of time, taking the risks and rewards that go along with such an endeavor.

Project finance in South Africa generally exhibits the following characteristics:

- Long-term tenders, to match the underlying concession contract with government.
- Limited recourse, meaning that the lender takes on the project risk.
- Involvement of more than one bank, owing to the large amounts of debt.

- Very high gearing as infrastructure is a low-risk asset class, and there is usually no or very limited market risk being taken by the funders. This results in lower shareholder equity requirements.

Most of the current deals in the PPP sector involve building and operating government accommodation, such as new head offices for the City of Tshwane and for the Departments of Land Affairs and Correctional Services. Other significant projects include several new private prisons and the building of the new Gautrain rail system between Johannesburg and Pretoria.

The Government has a dedicated PPP unit in National Treasury, whose task it is to oversee new and existing projects. Their website, http://www.ppp.gov.za, includes a publication called “PPP Quarterly”, which lists all PPPs currently under consideration and the relevant details involved.

Sources of Project Financing in South Africa

U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency promotes economic development in developing countries by funding feasibility studies, consultants, training programs, and other project planning services. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project. For additional information contact:

U.S. Trade and Development Agency
Mr. Jason Nagy, Country Manager
15 Chaplin Road (corner Oxford Road);
Illovo
Tel: +27 (0)11 778 4804; Fax: +27 (0)11 268 6104
Email: jnagy@ustda.gov
Website: http://www.tda.gov/

Development Bank of Southern Africa (DBSA)

The DBSA is one of five existing development finance institutions in South Africa and has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure.

Mr. Paul Baloyi, CEO
Development Bank of Southern Africa
PO Box 1234
Halfway House 1685,
Midrand
Tel: +27 (0)11 313 3911; Direct: +27 (0)11 313 3059; Fax: +27 (0)11 206 3516
Email: Paulb@dbsa.org

Website: www.dbsa.org

Industrial Development Corporation of South Africa, Ltd. (IDC):

The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

IDC
PO Box 784055,
Sandton, 2146
Tel: +27 (0)11 269 3000; Direct: +27 (0)11 269 3279; Fax: +27 (0)11 269 3113
CEO: Geoffrey Qhena
Email: geoffreyq@idc.co.za
Website: www.idc.co.za

Small Business Development in South Africa

The United States Agency for International Development (USAID) is the U.S. Government agency responsible for development assistance. USAID believes that to succeed in its global mission, it must support sustainable and participatory development, emphasize partnerships, and use integrated approaches to promoting development.

USAID/South Africa is one of about 80 Missions that manage a country program. Its goal is sustainable transformation from apartheid conditions to sustainable development conditions. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment of the disadvantaged majority population, both men and women.

Please contact USAID for additional information on its programs at:

United States Agency for International Development - South Africa
PO Box 43,
Groenkloof, 0027
Tel: +27 (0)12 452 2000; Fax: +27 (0)12 460 3177
Website: http://www.usaid.gov/

Enterprise Development in Southern Africa

The Southern African Enterprise Development Fund (SAFEDF), a US$100 million USAID-sponsored project, promotes small-to-medium-sized enterprises throughout South Africa. For additional information on the SAFEDF, please visit its website at: http://www.saedf.org.za/.

The Entrepreneurship Development Unit of the University of the Western Cape also provides information on entrepreneurship and small business development in South Africa.

Entrepreneurship Development Unit
Department of Management
Head of Department: Mr. Goosain Solomon
University of the Western Cape
Private Bag X17,
Bellville, 7535
Tel: +27 (0)21 959 2595; Fax: +27 (0)12 959 3219
Website: http://www.uwc.ac.za

Multilateral Development Banks

The African Development Bank Group

The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire (West Africa), is an international financial institution created in 1964 to promote the economic and social development of member African countries. Due to the current situation in the host country, the AfDB has temporarily relocated to Tunis, Tunisia, until the political situation has normalized in Côte d'Ivoire. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa.

Additional information about the African Development Bank Group can be found on the Internet at www.afdb.org.

African Development Bank (Temporary Relocation to Tunis)
Tel: +216 71 333 511; Fax: +216 71 351 933
E-mail: afdb@afdb.org

African Development Bank (Statutory Headquarters in Cote D'Ivoire)
Tel: +225 20 204 444; Fax: +225 20 204 959
E-mail: afdb@afdb.org

The World Bank Group

South Africa was a founding member of the International Bank for Reconstruction and Development (IBRD) in 1944. It joined the International Development Association (IDA) in 1960, the International Finance Corporation (IFC) in 1957, and the Multilateral Investment Guarantee Agency (MIGA) in 1994.

Additional information is available on the Internet at www.worldbank.org, or contact:

World Bank Resident Mission in South Africa/IBRD Section
Chief of Mission: Ms Ruth Kagia
PO Box 12629
Hatfield, 0028
Tel: +27 (0)12 431 3100; Fax: +27 (0)12 431 3134

IFC Section
PO Box 41283, Craighall, 2024
Tel: +27 (0)11 731 3000; Fax: +27 (0)11 268 0074
CEO : Jean-Phillippe Prosper
U.S. Commercial Service Liaison Office at the World Bank
David Fulton
Advisor & Director of U.S. Business Liaisons
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
Bank E-mail: DFulton@worldbank.org
Commerce E-mail: David.Fulton@mail.doc.gov
Phone: (202) 458-0120
Fax: (202) 477-2967

Bryan Lopp
Advisor & U.S. Business Liaison
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
Bank E-mail: BLopp@worldbank.org
Commerce E-mail: Bryan.Lopp@mail.doc.gov
Phone: (202) 473-2742
Fax: (202) 477-2967

Export-Import Bank

Ex-Im is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In over 70 years, Ex-Im Bank has supported more than US$400 billion in U.S. exports.

Ex-Im Bank's mission is to create jobs through exports. The Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed.

To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide, and will support the financing of the export of any type of goods or services, including commodities, as long as they are not military-related. For more information, please visit www.exim.gov.

Web Resources Return to top

African Development Bank Group
Website: http://www.afdb.org/

Ex-Im Country Limitation Schedule
Website: http://www.exim.gov/tools/country/country_limits.html

Development Bank of Southern Africa
Website: http://www.dbsa.org/

Entrepreneurship Development Unit of the University of the Western Cape
Website: http://www.uwc.ac.za

Export-Import Bank of the United States
Website: http://www.exim.gov

Industrial Development Corporation of South Africa, Ltd
Website: http://www.idc.co.za/

OPIC
Website: http://www.opic.gov

SBA's Office of International Trade
Website: http://www.sba.gov/oit/

South African Association of Freight Forwarders
Website: http://www.saaff.org.za/

South African Reserve Bank
Website: http://www.reservebank.co.za/

Southern African Enterprise Development Fund
Website: http://www.saedf.org.za/

The World Bank
Website: http://www.worldbank.org/

Trade and Development Agency
Website: http://www.ustda.gov/

USDA Commodity Credit Corporation
Website: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development
Website: http://www.usaid.gov

United States Agency for International Development South Africa Website:
http://www.usaid.gov/

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs Return to top

Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the banking sector. However, "smart-casual" clothing has become increasingly popular with executives in the ICT and tourism industries**.** Terminology used in business invitations etc, are:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are also very punctual, and South African businesspeople make every effort to be on time for appointments. Appointments should be made in advance of a business visit.

Travel Advisory Return to top

For the latest Consular Information Sheet and travel advisory on South Africa, please click on the following link: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

For general information on international travel, please visit the main website at: http://travel.state.gov

Value-added Tax (VAT) is levied at 14 percent. Travelers may apply for tax refunds on purchases made in South Africa over $37 (R263) on departure.

Safety and Security [Return to top]

Travelers are encouraged to be vigilant and avoid large gatherings, particularly protests and demonstrations. The possibility of violence should not be discounted, particularly in times of heightened world tension, although South Africa is a comparatively "low risk' country in terms of terrorist attacks. While the majority of visitors complete their travels in South Africa without incident, criminal activity, often violent, does occur regularly, i.e. armed robbery, carjacking, mugging, "smash and grab" attacks on motor vehicles and other incidents.

Visa Requirements [Return to top]

U.S. citizens traveling to South Africa require a valid passport. A visa is not required for regular passport holders on bona fide holiday or business visits for periods of up to 90 days or in transit. Visas are required, however, for extended stays, employment, study, and for diplomatic and official passport holders.

Evidence of a yellow fever vaccination is necessary if arriving from an infected area. Information on South African visa requirements can be obtained prior to departure from the United States by checking with the South African Embassy in Washington, D.C. or the South African Consulates in New York, Chicago, and Beverly Hills. For information on visa requirements for other countries, contact the Embassy of the country you intend to visit, or a travel agent, or an U.S. Consular Officer.

IMPORTANT NOTE: All travelers to South Africa should make sure that their passports contain at least two completely blank "Visa" pages for stamps, otherwise they could be turned away and refused entry by South African immigration officials. As a general precaution, travelers are advised to carry a photocopy of the photo/bio information page of their passport and keep it in a location separate from the passport.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that citizens of South Africa and other Southern African countries require U.S. visas. Prospective visa applicants should go to the second link below:

Consular Services for American Citizens in South Africa
Website: http://southafrica.usembassy.gov/service.html

Visa Services for Foreign Citizens in South Africa
Website: http://southafrica.usembassy.gov/visas.html

Telecommunications [Return to top]

South Africa has the largest and most developed telecommunications network (including fixed line, wireless, satellite, and cellular technology) in the African continent. Public switched telecommunication services are provided by Telkom South Africa. Cellular services are provided by three licensed cellular operators: Vodacom, MTN (Mobile Telephone Network) and Cell C. Virgin Mobile, a Virgin-branded service running over

Cell C's national network, was launched in 2006. Vodacom and MTN launched 3G services in the first quarter of 2007.

South African telecommunication costs, including ADSL, remain among the highest in the world. Efforts are underway by the Government and regulators to increase competition and reduce costs.

A second national operator (SNO), Neotel, was awarded a license in late 2005 and is the first company to take on former fixed line monopoly player Telkom. Neotel plans to invest approximately $1.6 billion (R11 billion) over the next decade in an effort to gain market share. The SNO's own network would initially only cover the main cities of Johannesburg, Pretoria, Durban, and Cape Town.

Transportation Return to top

Travel to South Africa consists of arrival in the country by international airlines to Johannesburg's OR Tambo International or Cape Town International Airports. Major air carriers that fly from the United States to South Africa include Delta Air Lines (http://www.delta.com) and South African Airways (http://ww4.flysaa.com/). United Air Lines code-shares with SAA (http://www.united.com). Delta Air Lines is the only U.S. carrier with a direct flight from the United States to South Africa (Johannesburg). This flight was launched December 4, 2006.

South Africa boasts one of the most modern and extensive transport infrastructures on the African continent in terms of road, railway systems and seaports.

Eighty percent of South Africans depend on public transport (two-thirds travel by mini-bus taxi and the remaining one-third by railway or by bus). Still, public transportation is, in most instances, not suitable for U.S. tourists or travelers, with the exception of private taxi companies that operate at a relatively high cost to passengers.

It is highly recommended that travelers to South Africa consider pre-arranging and making use of extensive car hire facilities. Major car hire groups represented include Hertz (http://www.hertz.co.za), Avis (http://www.avis.co.za), and Budget (www.budget.co.za).

South Africans drive on the left-hand side of the road. Most major cities in South Africa have rather complicated one-way systems leading in and out of major areas.

To view U.S. Consulate information sheet on travel to South Africa, visit the following website: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

Language Return to top

South Africa has 11 official languages. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (23.8 percent), Xhosa (17.6 percent), Afrikaans (13.3 percent), Sepedi (9.4 percent), English (8.2 percent), Setswana (8.2 percent), Sesotho (7.9 percent), Xitsonga (4.4 percent), Swazi (2.6 percent), Venda (1.7 percent), and Ndebele (1.5 percent). Languages used by the Asian population include Tamil (2 percent), Hindi (2 percent), Gujerati (2 percent), and Urdu.

The African (Black) and Asian populations speak a variety of languages and many also use English and Afrikaans. The population of European descent predominantly speak Afrikaans and English as their first language. Printed advertising directed at the non-European descended population is mainly in English. Radio advertising is broadcast in nine African languages, while television advertising is conducted in five languages. African language advertising and broadcasting are expected to expand to reach more Black consumers.

Health

Return to top

In line with U.S. laws, the South Africa's health policy stipulates that smoking is prohibited in public places unless otherwise designated as smoking areas. South African tap water is also of the highest standards and can normally be used as is. However, if a traveler is not acclimatized to it or has a sensitive digestive system, drinking water should be avoided. This warning covers all other applications of water such as ice and water for mouth-rinsing after brushing teeth. Bottled water and canned drinks are readily available; flavored bottled water has also been very popular with travelers visiting South Africa.

South Africa has world-class medical services and all major cities have modern well-equipped hospitals and ambulance services to assist all travelers in emergency situations. Travelers should familiarize themselves with emergency telephone numbers and the locations of nearest hospitals up on arrival in the country.

South Africa has several provinces where there is a threat of contracting malaria. Appropriate prophylactics taken well in advance of visiting these areas should limit the risk of falling ill. Prevention should include use of mosquito repellant (all day) and wearing of light long-sleeved shirts and pants as well as socks and shoes from dawn and at night. Sleeping under a mosquito net or in a mosquito-proof room should also be considered.

> High-risk malaria areas: parts of Mpumalanga Lowveld, Limpopo and Kwazulu-Natal provinces.
> Medium-risk malaria areas: Kozi Bay, Sodwana Bay, Mkuze Game reserve and St. Lucia Lake area.

It is very important for travelers to realize that they may still contract malaria despite taking precautionary measures, and if any flu-like symptoms such as headaches, fever, muscular and joint pains, sweating, shivering and attacks of nausea or diarrhea occur after at any time within six months after a visit to one of these high-risk areas, a physician should be consulted immediately.

Since November 2008, cholera outbreaks have been reported across Zimbabwe and have affected South Africa's Limpopo Province near the Zimbabwe border. Cholera is a potentially fatal bacterial infection of the intestine which causes severe diarrhea and dehydration. The disease is spread through untreated sewage and contaminated drinking water. Travelers to Limpopo Province are advised to drink boiled or bottled water and also use boiled or bottled water in food preparation. American citizens may consult local media and the United Nations Office for the Coordination of Humanitarian Affairs at http://ochaonline.un.org for updates on cholera cases in South Africa. The Consulate General recommends that any American citizen experiencing symptoms of severe diarrhea should seek immediate medical attention.

South Africa also has endemic HIV/AIDS. Travelers should ensure that they are well aware of the associated risks and risk behavior.

Local Time, Business Hours, and Holidays Return to top

Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time/six hours ahead of Eastern Daylight Time. Clocks are not advanced in the summer. Generally, business hours are weekdays from 8:00 a.m. to 1:00 p.m. and 2:00 p.m. to 4:30 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 am to 1:00 p.m. on Saturdays. Banks are open weekdays from 9:00 a.m. to 3:30 p.m., and Saturdays from 8:30 a.m. to 11:00 a.m.

Local Holidays 2009

Holiday	Date	Day
New Year's Day	January 1	Thursday
Human Rights Day	March 21	Saturday
Good Friday	April 10	Friday
Family Day	April 13	Monday
Freedom Day	April 27	Monday
Worker's Day	May 1	Friday
Youth Day	June 16	Tuesday
National Women's Day	August 10	Monday
Heritage Day	September 24	Thursday
Day of Reconciliation	December 16	Wednesday
Christmas Day	December 25	Thursday
Day of Goodwill	December 26	Saturday

Note: U.S. Government offices in South Africa are closed on U.S. federal and legal holidays.

Temporary Entry of Material and Personal Belongings Return to top

Travelers must declare all goods in their possession with the exception of personal clothing, essential toilet articles and used sporting equipment. In order to be free from declaration, these goods must be for the passenger's personal use and not intended as gifts or to be sold, exchanged, or traded. All articles, used or unused, carried by the visitor as presents or parcels for other persons, must be declared. There are no restrictions on the amount of U.S. Dollars that may be taken into South Africa.

U.S. Dollars cannot be used in South Africa and must be converted into South African Rand by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else. U.S. Dollars may not be used in commercial or other private transactions.

With a valid carnet, a visitor may enter South Africa with his/her automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his/her vehicle during his/her stay or upon departure, he/she must first obtain an import permit and pay the relevant duty.

Web Resources Return to top

Avis
Website: www.avis.co.za

Budget
Website: www.budget.co.za

Consular Information Sheet on South Africa
Website: travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

Consular Services for American Citizens
Website: http://southafrica.usembassy.gov/service.html

Delta Air Lines
Website: www.delta.com

Hertz
Website: www.hertz.co.za

South African Airlines
Website: ww4.flysaa.com/

State Department Visa Website
Website: travel.state.gov/visa/index.html

United Air Lines
Website: www.united.com/

U.S. Commercial Service South Africa
Website: www.buyusa.gov/southafrica

United States Visas.gov
Website: www.unitedstatesvisas.gov/

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts

Return to top

I. U.S. Government

United States Embassy, Pretoria
Website: pretoria.usembassy.gov/

United States Commercial Service in South Africa
Website: www.buyusa.gov/southafrica/en

United States Consular Services in South Africa
Website: www.unitedstatesvisas.gov

Southern Africa Global Competitiveness Hub –
Website: www.satradehub.org/index.php?id=316

Export-Import Bank of the United States
Website: www.exim.gov/

Overseas Private Investment Corporation
Website: www.opic.gov

U.S. Trade and Development Agency
Website: www.ustda.gov

II. South African Government

<u>All Ministries</u>:

South African Government
Website: www.gov.za

<u>Ministries</u>:

Agriculture
Website: www.nda.agric.za/

Defense
Website: www.dod.mil.za/

Foreign Affairs
Website: www.dfa.gov.za/

Labor
Website: www.labour.gov.za/

Minerals & Energy
Website: www.dme.gov.za/

National Treasury
Website: www.treasury.gov.za/

Reserve Bank (SARB)
Website: www.reservebank.co.za/

Statistics South Africa
Website: www.statssa.gov.za

Revenue Service (SARS)
Website: www.sars.gov.za/

Trade and Industry
Website: www.dti.gov.za

Parastatals:

Eskom
Website: www.eskom.co.za/

Transnet
Website: www.transnet.co.za/

Telkom
Website: www.telkom.co.za/

Other:

Bureau of Standards (SABS)
Website: www.sabs.co.za/

Industrial Development Corporation (IDC)
Website: www.idc.co.za/

III. Business

Chambers:

American Chamber of Commerce South Africa
Website: www.amcham.co.za

Business Unity South Africa (BUSA)
Website: www.busa.org.za/

Exhibition Association of Southern Africa
Website: www.exsa.co.za

Legal:

Attorneys in South Africa
Website: www.attorneys.co.za

Airlines:

South African Airlines
Website: ww4.flysaa.com

Delta Air Lines
Website: www.delta.com

United Air Lines
Website: www.united.com/

Tourism:

Internet based South African travel information
Website: www.sa-venues.com/tourist_and_visitor_information_.htm

Southern African Tourism Services Association
Website: www.satsa.co.za

Banks:

Absa
Website: www.absa.co.za/

First National Bank
Website: www.fnb.co.za/

Nedbank
Website: www.nedbank.co.za/

Standard Bank
Website: www.standardbank.co.za/

Other:

South African Internet search engines websites:
www.aardvark.co.za
www.ananzi.co.za,
www.google.co.za

Market Research

Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/exp_mr_index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

`Trade Events

Return to top

Please click on the links below for information on upcoming trade events.

www.export.gov/tradeevents/index.asp

www.buyusa.gov/southafrica/en/upcomingevents.html

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on--one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service South Africa offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/southafrica/

Return to table of contents

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov